

## OFFERING CIRCULAR

NEW ISSUE  
Book-Entry Only

NON-RATED  
(See "No Rating" herein)

*In the opinion of Ice Miller LLP, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Such exclusion is conditioned on continuing compliance by the Issuer and the Borrower with the Tax Covenants (as hereinafter defined). In the opinion of Ice Miller LLP, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana. See "TAX TREATMENT" herein.*

**\$4,500,000**

**Indiana Health and Educational Facility Financing Authority  
Adjustable Rate Revenue Bonds, Series 2006  
(Grandview Care, Inc. New Castle Project)**

Dated: Date of Delivery

Price: 100%

Due: August 1, 2027

The above-captioned bonds (the "Bonds") will be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof and will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. The principal of and premium, if any, on the Bonds will be payable to the registered owner at the designated corporate trust office of The Bank of New York Trust Company, N.A., as trustee (the "Trustee").

The Bonds will bear interest at an Adjustable Rate or Fixed Interest Rate, determined in accordance with the Indenture, as described herein. The Bonds will initially bear interest at a Weekly Interest Rate, with interest payable monthly on the first Business Day of each calendar month, commencing September 1, 2006, as described herein.

The Bonds are special and limited obligations of the Indiana Health and Educational Facility Financing Authority (the "Issuer") and are payable solely from, and are secured by an assignment and pledge of, payments and other revenues to be received by the Issuer under a Loan Agreement between the Issuer and Grandview Care, Inc. (the "Borrower") and from the proceeds of the Bonds and other moneys pledged therefor under the Trust Indenture (the "Indenture") between the Issuer and the Trustee, and, from the date of original issuance of the Bonds through the expiration date described below, from funds drawn under an irrevocable Letter of Credit (the "Letter of Credit") issued by



The Bonds bearing interest at an Adjustable Rate will be purchased, at the option of the holder at the principal amount thereof, plus accrued interest, if any, at the times and subject to the conditions described herein. The Bonds are subject to mandatory purchase and to optional and mandatory redemption prior to maturity, as described herein. The interest rate mode of the Bonds is subject to conversion as described herein, and upon any such conversion the Bonds will be subject to mandatory purchase as described herein.

Fifth Third Securities, Inc. will serve as Remarketing Agent for the Bonds.

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER OR THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered solely on the basis of the Letter of Credit and the financial strength of the Fifth Third Bank and are not being offered on the basis of the financial strength of the Borrower or any other collateral security. This Offering Circular does not describe the financial condition of the Borrower. The Bonds are subject to acceleration of maturity upon the occurrence of an event of default by the Borrower under the Reimbursement Agreement (as defined herein), but such events of defaults are not described herein. Prospective investors will therefore be unable to evaluate the likelihood of a default by the Borrower under the Reimbursement Agreement.

The Bonds are offered when, as and if issued by the Issuer subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Ice Miller LLP, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its Bond Counsel, Ice Miller LLP; for the Borrower by its counsel, Dinsmore & Shohl LLP, for the Bank by its counsel, Graydon Head & Ritchey LLP; and for the Underwriter by its counsel, Graydon Head & Ritchey LLP. It is expected that the Bonds, in definitive form, will be available for delivery at DTC on or about August 10, 2006.



Dated: August 10, 2006

This Offering Circular is being furnished to select institutional investors on a confidential basis and with the express understanding that it shall serve solely for the purpose of allowing such investors to consider the purchase of all or a portion of the Bonds. This Offering Circular does not constitute an offering of any security, other than the original offering of the Bonds identified on the cover hereof. No dealer, broker, salesman, or other person has been authorized by the Issuer, the Borrower, the Bank, the Underwriter or the Remarketing Agent to give any information or to make any representation other than those made herein. Any such other information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Offering Circular nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Borrower, the Bank and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Issuer or the Underwriter.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange as a result of Section 3(a)(2) of the Act. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency shall have passed upon the accuracy or adequacy of this Offering Circular nor, except the Issuer (to the extent described herein), approved the Bonds for sale.

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## **OFFERING CIRCULAR SUMMARY**

The following is a summary of certain information contained in this Offering Circular, to which reference should be made for a complete statement thereof. The Bonds are offered to potential investors only by means of the entire Offering Circular, including the cover page, this summary statement and the Appendix hereto. No person is authorized to detach this summary statement from the Offering Circular or otherwise use it without the entire Offering Circular.

### **Securities Being Offered**

The following securities are being offered:

\$4,500,000

Indiana Health and Educational Facility Financing Authority  
Adjustable Rate Revenue Bonds, Series 2006  
(Grandview Care, Inc. New Castle Project)

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER OR THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.

### **The Trustee**

The Bank of New York Trust Company, N.A., from its Indianapolis, Indiana office, will serve as the initial Trustee under the Indenture.

### **The Bank and the Letter of Credit**

Fifth Third Bank, an Ohio banking corporation (the "Bank"), will provide a Letter of Credit for the Bonds (the "Letter of Credit") (see APPENDIX A - Fifth Third Bank). The Letter of Credit will permit the Trustee to draw an amount up to (a) the outstanding principal amount of the Bonds, to enable the Trustee to pay (i) the principal amount of the Bonds when due at maturity, upon redemption or acceleration and (ii) the portion of the purchase price of Bonds or Beneficial Ownership Interests (as hereinafter defined) tendered to it equal to the principal amount of such tendered Bonds or Beneficial Ownership Interests, plus (b) an amount equal to interest to accrue on Bonds for 45 days at the maximum interest rate of 10% per annum, to enable the Trustee to pay (i) interest on the Bonds when due and (ii) the portion, if any, of the purchase price of the Bonds or Beneficial Ownership Interests tendered to it equal to the accrued interest on such tendered Bonds or Beneficial Ownership Interests. The Letter of Credit will expire on August 15, 2011, subject to earlier termination or extension as described therein (see "THE LETTER OF CREDIT" herein).

## **Remarketing Agent**

Fifth Third Securities, Inc. has been appointed to serve as initial Remarketing Agent under the Indenture.

## **The Borrower and Use of Bond Proceeds**

The proceeds of the sale of the Bonds will be used to make a loan to Grandview Care, Inc. (the “Borrower”), an Indiana nonprofit corporation, to finance a portion of the Borrower’s costs of acquiring, constructing, and equipping a skilled nursing and assisted living facility in New Castle, Indiana, and to pay costs of issuance of the Bonds (see “THE BORROWER, THE PROJECT AND USE OF BOND PROCEEDS” herein).

## **Maturity, Redemption and Mandatory Purchase**

The Bonds will mature on August 1, 2027, subject to prior optional and mandatory redemption, and are subject to mandatory purchase as set forth herein (see “THE BONDS - Redemption Prior to Maturity”, “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes,” “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Delivery of an Alternate Letter of Credit” and “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Expiration of Letter of Credit”).

## **Interest Rates, Payment Dates and Conversion Between Interest Rate Modes**

The Bonds will bear interest from the most recent date to which interest has been paid, at an adjustable rate of interest in one of several modes (each an “Adjustable Interest Rate Mode”) or at a Fixed Interest Rate. (The Adjustable Interest Rate Modes and the Fixed Interest Rate are collectively referred to as “Interest Rate Modes”). The Adjustable Interest Rate Modes are: Weekly, One Month, Three Month, Six Month, One Year, Three Year and Five Year. (The Weekly, One Month and Three Month Interest Rate Modes are collectively referred to as the “Short Term Adjustable Interest Rate Modes” and the Six Month, One Year, Three Year and Five Year Interest Rate Modes are collectively referred to as the “Long Term Adjustable Interest Rate Modes”). The Bonds will initially bear interest in the Weekly Interest Rate Mode from the date of initial delivery of the Bonds.

While the Bonds bear interest in one of the Adjustable Interest Rate Modes, the Bonds bear interest during the period generally corresponding to the title of the Adjustable Interest Rate Mode (the “Interest Rate Period”) at a rate determined by the Remarketing Agent. The Remarketing Agent determines the rate on the “Interest Rate Determination Date” and such rate becomes effective as of the “Interest Rate Adjustment Date,” for such Interest Rate Period.

The rate of interest determined by the Remarketing Agent for a particular Interest Rate Period is to be the lowest interest rate, as of the Interest Rate Determination Date, at which the Bonds can be remarketed at par for that Interest Rate Period. If the Remarketing Agent has been removed or has resigned and no successor has been appointed, or if the Remarketing Agent has failed to determine the applicable interest rate, the interest rate for the next succeeding Interest

Rate Period will be the interest rate then borne by the Bonds. In no event, however, can the interest rate on the Bonds for any Interest Rate Mode exceed 10% per annum.

The Bonds initially will bear interest at the Weekly Interest Rate. Commencing as of the first Business Day of September, 2006, the Borrower may elect, with the approval of the Bank, from time to time, to change the Interest Rate Mode on the Bonds. The date upon which such change becomes effective is referred to as an “Interest Period Reset Date” and can only occur on the first Business Day of a month when converting from a Short Term Adjustable Interest Rate Mode (or the first day of a month when converting from a Long Term Adjustable Interest Rate Mode) following the conclusion of the preceding Interest Rate Period (except when converting from the Weekly Interest Rate Mode). The Bonds or Beneficial Ownership Interests are subject to mandatory tender for purchase on the Interest Period Reset Date upon a conversion between Interest Rate Modes (see “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes” herein).

Interest on the Bonds is payable monthly on the first Business Day of each month while the Bonds bear interest in a Short Term Adjustable Interest Rate Mode, and is payable semiannually on February 1 and August 1 while the Bonds bear interest in a Long Term Adjustable Interest Rate Mode or Fixed Interest Rate Mode. The first Interest Payment Date for the Bonds will be September 1, 2006. The chart below sets forth Interest Rate Adjustment Dates, Interest Rate Determination Dates and Interest Rate Periods for the Adjustable Interest Rate Modes:

INTEREST RATE MODE	INTEREST RATE ADJUSTMENT DATE	INTEREST RATE DETERMINATION DATE	INTEREST RATE PERIOD
Weekly	Friday of each week	2:00 p.m. on Thursday of each week, or the preceding Business Day if Thursday is not a Business Day*	1 week commencing Friday*
One Month	1st Business Day of each month	7th Business Day before the Interest Rate Adjustment Date	1 month commencing the first Business Day of the month**
Three Month	1st Business Day of any month, and thereafter the first Business Day of February, May, August and November	10th Business Day before the Interest Rate Adjustment Date	3 months commencing the first Business Day of February, May, August and November**

\* When converting from another Interest Rate Mode, the Interest Rate Determination Date for the Weekly Interest Rate Mode is 2:00 p.m. on the Business Day before the Interest Period Reset Date. The first Interest Rate Period would commence on the Interest Period Reset Date and continue through the following Thursday.

\*\* The first Interest Rate Period may be less than the indicated period when converting from another Interest Rate Mode.

Six Month	1st Business Day of any month, and thereafter February 1 and August 1	10 <sup>th</sup> Business Day before the Interest Rate Adjustment Date	6 months commencing February 1 and August 1**
One Year	1st Business Day of any month, and thereafter February 1 or August 1 commencing the next Interest Rate Period	10th Business Day before the Interest Rate Adjustment Date	1 year commencing February 1 or August 1**
Three Year	1st Business Day of any month, and thereafter February 1 or August 1 commencing the next Interest Rate Period	10th Business Day before the Interest Rate Adjustment Date	3 years commencing February 1 or August 1**
Five Year	1st Business Day of any month, and thereafter February 1 or August 1 commencing the next Interest Rate Period	10th Business Day before the Interest Rate Adjustment Date	5 years commencing February 1 or August 1**

The Interest Rate Determination Date for the Fixed Interest Rate Mode is the tenth Business Day before the Interest Period Reset Date, which is the first Business Day of a month following the conclusion of the preceding Interest Rate Period (unless the Interest Rate Mode for the preceding Interest Rate Period is a Long Term Adjustable Interest Rate Mode in which case, the first day of a month) and which is also the Interest Rate Adjustment Date. No further conversion to other Interest Rate Modes can be made after conversion to the Fixed Interest Rate Mode (see “THE BONDS - Interest,” “Interest Rate Modes on Bonds,” and “Conversion Between Interest Rate Modes” herein).

### **Purchase of Bonds or Beneficial Ownership Interests on Demand of Owners**

The Bonds will be issued initially in book-entry only form, and the procedures set forth below are subject to the provisions of the Blanket Letter of Representations from the Issuer to The Depository Trust Company (see “THE BONDS - Book-Entry Only System” and “THE BONDS - Purchase of Bonds or Beneficial Ownership Interests on Demand of Holders or Beneficial Owners” herein).

While the Bonds bear interest in an Adjustable Interest Rate Mode, any Bond or Beneficial Ownership Interest (or any portion thereof in the denominations of \$100,000 or integral multiples of \$5,000 in excess thereof, provided that the untendered portion to be held by the Holder or Beneficial Owner is \$100,000 or more in principal amount) will be purchased by the Trustee upon the demand of the Holder or the Beneficial Owner at a purchase price equal to the principal amount plus, if the Bond or Beneficial Ownership Interest bears interest in the Weekly Interest Rate Mode, accrued interest, if any, to the date of purchase (a “Bond Purchase Date”). In order to make such demand, the Holder or the Beneficial Owner must give notice to the Trustee in writing or by telecopy stating (i) the name and address of the Holder or the Beneficial Owner, (ii) the principal amount, CUSIP number and Bond numbers of the Bonds or

Beneficial Ownership Interests to be purchased, (iii) that such Bonds or Beneficial Ownership Interests are to be purchased on the Bond Purchase Date (as defined below) pursuant to the terms of the Indenture, and (iv) that such notice is irrevocable. The Beneficial Owner must provide the Trustee with evidence satisfactory to the Trustee of the Beneficial Owner's interest in the Beneficial Ownership Interest. The Holder must deliver the Bonds to be purchased to the Trustee at its designated corporate trust office accompanied by fully completed and executed Instructions to Sell, the form of which is printed on the Bonds. The Beneficial Owner must cause a change in the records of DTC (as hereinafter defined) to reflect the tender of a Beneficial Ownership Interest. Any Bonds not so delivered after the Holder has made a demand for purchase or any Beneficial Ownership Interest not changed on the records of DTC nevertheless shall be deemed tendered. Notwithstanding any tender, Bonds or the Beneficial Ownership Interests (or the applicable portions thereof) tendered for purchase will not be purchased if they mature or are redeemed on or prior to the applicable Bond Purchase Date. Demand notices and Bond deliveries must be given and made as follows (with all references to local time meaning local time in the city where the designated corporate trust office of the Trustee is located, presently Indianapolis, Indiana):

1. While the Bonds bear interest in the Weekly Interest Rate Mode, the notice must be given no earlier than fifteen days but no later than seven days prior to the Bond Purchase Date. The Bond Purchase Date is determined by the Holder or Beneficial Owner and must be a Business Day and, if the Interest Rate Mode is to be converted from the Weekly Interest Rate Mode to another Interest Rate Mode, must be a date prior to the Interest Period Reset Date for such other Interest Rate Mode. The Bonds must be delivered to the Trustee not later than 10:00 a.m., local time, on the second Business Day before the Bond Purchase Date. In the case of a Bond or Beneficial Ownership Interest or portion thereof to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, if the Holder is other than a securities depository or its nominee, the Holder or Beneficial Owner shall deliver a due-bill check, in form satisfactory to the Trustee, for interest due on such Interest Payment Date.

2. While the Bonds bear interest in the One Month Interest Rate Mode, the notice must be given no earlier than fifteen days before the Bond Purchase Date but no later than 11:00 a.m., local time, on the fifth Business Day before the Bond Purchase Date. The Bond Purchase Date is the Interest Rate Adjustment Date for the One Month Interest Rate Mode. The Bonds must be delivered to the Trustee no later than 10:00 a.m., local time, on the fourth day before the Bond Purchase Date or the next preceding Business Day if such fourth day is not a Business Day. The Beneficial Owner must cause the transfer of the Beneficial Owner's Beneficial Ownership Interest on the records of DTC (hereinafter defined) by 10:00 a.m. on the Bond Purchase Date (see "THE BONDS - Purchase of Bonds or Beneficial Ownership Interest on Demand of Holders or Beneficial Owners" herein).

3. While the Bonds bear interest in an Adjustable Interest Rate Mode other than the Weekly Interest Rate Mode or the One Month Interest Rate Mode, the notice must be given no earlier than fifteen days before the Bond Purchase Date but no later than 11:00 a.m., local time, on the eighth Business Day before the Bond Purchase Date. The Bond Purchase Date is the Interest Rate Adjustment Date for that Adjustable Interest Rate Mode. The Bonds must be delivered to the Trustee no later than 10:00 a.m., local time, on the seventh day before the Bond Purchase Date or the next preceding Business Day if such seventh day is not a Business Day.



The Beneficial Owner must cause the transfer of the Beneficial Owner's Beneficial Ownership Interest on the records of DTC (as hereinafter defined) by 10:00 a.m. on the Bond Purchase Date (see "THE BONDS - Purchase of Bonds or Beneficial Ownership Interests on Demand of Holders or Beneficial Owners" herein).

## **Disclosure**

The Bank does not control, either directly or indirectly through one or more intermediaries, the Borrower. Likewise, the Borrower does not control, either directly or indirectly through one or more intermediaries, the Bank. "Control" for the purposes hereof has the meaning given to such term in Section 2(a)(9) of the Investment Company Act of 1940.

**OFFERING CIRCULAR**  
**RELATING TO**  
**THE ORIGINAL ISSUANCE OF**

\$4,500,000

Indiana Health and Educational Facility Financing Authority  
Adjustable Rate Revenue Bonds, Series 2006  
(Grandview Care, Inc. New Castle Project)

**INTRODUCTORY STATEMENT**

This Offering Circular, including the cover page, the Table of Contents page, the Offering Circular Summary and the Appendix is provided to furnish information in connection with the original issuance and sale by the Indiana Health and Educational Facility Financing Authority (the “Issuer”) of \$4,500,000 principal amount of Adjustable Rate Revenue Bonds, Series 2006 (Grandview Care, Inc. New Castle Project) (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture dated as of August 1, 2006 (the “Indenture”), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”). The Bonds (the “Bonds”) will be dated as of and bear interest from the date of their initial delivery pursuant to the instructions of Fifth Third Securities, Inc. (the “Underwriter”). The Bonds will mature on August 1, 2027, and will be subject to redemption prior to maturity as described herein under “THE BONDS - Redemption Prior to Maturity”.

The proceeds received from the sale of the Bonds will be loaned to Grandview Care, Inc. (the “Borrower”), an Indiana nonprofit corporation, pursuant to the terms of a Loan Agreement dated as of August 1, 2006 between the Borrower and the Issuer (the “Loan Agreement”) to finance a portion of the Borrower’s cost of acquiring, constructing, and equipping a skilled nursing and assisted living facility in New Castle, Indiana, and to pay costs of issuance of the Bonds. The property of the Borrower financed with proceeds of the Bonds is referred to herein as the “Project”. The Project and the projected use of the proceeds of the Bonds are more particularly described in “THE BORROWER, THE PROJECT AND USE OF BOND PROCEEDS”. Pursuant to the Loan Agreement, the Borrower will agree to make payments by the times and in the amounts necessary to pay the principal of, premium (if any) and interest on the Bonds when due (the “Bond Service Charges”). To evidence such obligation, the Borrower also will execute and deliver to the Issuer, and the Issuer will endorse to the Trustee, a promissory note (the “Note”) in a principal amount equal to the principal amount of the Bonds.

The Bonds will constitute special and limited obligations of the Issuer, payable solely from the revenues assigned and pledged by the Indenture to secure such payment, which will include moneys drawn under the Letter of Credit described below (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein). Those revenues will also include the loan payments required to be made by the Borrower under the Loan Agreement and the Note.

The Bonds will be payable from the proceeds of draws under a Letter of Credit (the “Letter of Credit”) issued by Fifth Third Bank, an Ohio banking corporation (the “Bank”) (see “THE LETTER OF CREDIT” herein). The repayment of drawings under the Letter of Credit

will be provided pursuant to a Reimbursement Agreement dated as of August 1, 2006 (the “Reimbursement Agreement”) between the Bank and the Borrower. The obligations of the Borrower to the Bank under the Reimbursement Agreement will be secured those items referred to in the Reimbursement Agreement as the Security Documents (collectively, the “Bank Security Documents”). The Bank Security Documents will be for the sole benefit and security of the Bank and will not be for the benefit or security of the Trustee or the Holders or Beneficial Owners.

*The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and are not being offered on the basis of the financial strength of the Borrower or any other security. This Offering Circular does not describe the financial condition of the Borrower. The Bonds are subject to acceleration of maturity upon the occurrence of a default by the Borrower under the Reimbursement Agreement, but such defaults are not summarized or set forth herein. As a result of the foregoing, prospective investors will not be able to evaluate the likelihood of a default by the Borrower under the Reimbursement Agreement.*

ANY PREMIUM PAYABLE ON THE BONDS UPON THEIR OPTIONAL REDEMPTION WHILE THEY BEAR INTEREST AT THE FIXED INTEREST RATE (SEE “THE BONDS - OPTIONAL REDEMPTION” HEREIN) IS NOT SECURED BY THE LETTER OF CREDIT.

As long as the Bonds bear interest in any of the Adjustable Interest Rate Modes defined under “THE BONDS-Interest” herein, the Bonds will be purchased by the Trustee upon demand by the registered owner thereof (initially, The Depository Trust Company, or its nominee) (the “Holder”), on the Bond Purchase Date, as defined herein under “THE BONDS - Purchase of Bonds or Beneficial Ownership Interests on Demand of Holders or Beneficial Owners”. In the event the Holder does not tender Bonds upon the demand of a Beneficial Owner (as hereinafter defined) the Trustee will effect the purchase of such Beneficial Owner’s interest in Bonds (a “Beneficial Ownership Interest”) on the Bond Purchase Date (as hereinafter defined). The Beneficial Owner must provide satisfactory evidence to the Trustee of such Beneficial Owner’s Beneficial Ownership Interest and must comply with the remaining requirements of the Indenture applicable to the tender of Beneficial Ownership Interests (see “THE BONDS - Purchase of Bonds or Beneficial Ownership Interests Upon Demand of Holders or Beneficial Owners”). The Indenture provides for the remarketing by the Remarketing Agent, initially, Fifth Third Securities, Inc. (the “Remarketing Agent”), of the Bonds or Beneficial Ownership Interests tendered by the Holders or Beneficial Owners thereof. If the proceeds of remarketing are not sufficient to purchase the Bonds or Beneficial Ownership Interests tendered for purchase, the Trustee is required to draw on the Letter of Credit to pay the necessary purchase price. The Borrower may convert the Bonds to a different Adjustable Interest Rate Mode or to a Fixed Interest Rate Mode as of a specified date (the “Interest Period Reset Date”). The Bonds or Beneficial Ownership Interests are subject to mandatory purchase on any such Interest Period Reset Date from proceeds of remarketing or from proceeds of a drawing on the Letter of Credit (see “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes” herein).

The Borrower may provide for the delivery of an Alternate Letter of Credit (as hereinafter defined) to the Trustee. While the Bonds bear interest in certain Adjustable Interest Rate Modes (as hereinafter defined) the Bonds or Beneficial Ownership Interests are subject to mandatory tender upon the delivery of an Alternate Letter of Credit to the Trustee (see “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Delivery of an Alternate Letter of Credit” herein).

Except for the information contained herein under the caption “THE ISSUER,” the Issuer has not provided any of the information contained in this Offering Circular. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Borrower, the Bank, the Underwriter or any other person.

Herein follow brief descriptions of the Issuer and the Bonds, together with summaries of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement and the Indenture. Information regarding the Bank is included in the Appendix hereto. The descriptions and summaries of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Indenture and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to Bonds are qualified in their entirety by the definitive form thereof included in the Indenture. Copies of such documents will be available at the offices of the Underwriter, 38 Fountain Square Plaza, Cincinnati, Ohio 45263 until the issuance and delivery of the Bonds, and thereafter at the designated corporate trust office of the Trustee, presently 310 North Meridian, Suite 910, Indianapolis, Indiana, Attention: Corporate Trust Department.

## **THE ISSUER**

The Issuer was established on May 15, 2005, as successor to the Indiana Health Facility Financing Authority (the “IHFFA”), which was created in 1983 pursuant to the provisions of the Act, and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana (the “State”), but as an independent public instrumentality exercising essential public functions. Under the Act, the Issuer is authorized to make loans to private institutions of higher education, or “participating providers” (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation, or housing of “health facility property” (as defined in the Act). The Issuer may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Issuer, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Issuer, in Indiana. The Issuer has no taxing power.

The Act provides that the Issuer shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and investment matters related to health care and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to

higher education. The Issuer shall also include among its members (i) the Governor or the Governor's designee, who shall serve as the chairman of the Issuer, (ii) the state public finance director or the public finance director's designee, and (iii) the state health commissioner or the state health commissioner's designee. All Issuer members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Issuer members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Issuer. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Issuer shall determine. The Executive Director serves as ex officio secretary of the Issuer, administers, manages and directs the employees of the Issuer (under the direction of the members of the Issuer), approves all accounts and expenses and performs other additional duties as directed by the members of the Issuer.

The Act provides that the State of Indiana pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Issuer by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligation.

**THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, NOR ARE HOLDERS OF THE BONDS GRANTED ANY RIGHT TO HAVE THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE BONDS. THE ISSUER HAS NO TAXING POWER.**

#### **THE BORROWER, THE PROJECT AND USE OF BOND PROCEEDS**

Grandview Care, Inc. (the "Borrower") is an Indiana nonprofit corporation which has been determined by the Internal Revenue Service to be exempt from federal income tax as a charitable organization described in Section 501(c)(3) of the Internal Revenue Code.

The proceeds of the Bonds will be loaned by the Issuer to the Borrower to finance a portion of the Borrower's costs of acquiring, constructing, and equipping a skilled nursing and assisted living facility in New Castle, Indiana (the "Project"), consisting of a site of approximately 5.71 acres and a building to contain approximately 47,731 square feet with 68 skilled nursing beds licensed and certified for Medicare and Medicaid reimbursement and 40 beds certified for residential assisted living. New Castle is located in Henry County, Indiana, approximately 50 miles east of Indianapolis. The construction of the Project is presently in progress, and the Project is expected to be completed in August of 2006.

**THE BONDS ARE BEING OFFERED ON THE BASIS OF THE LETTER OF CREDIT AND NOT ON THE BASIS OF THE FINANCIAL STRENGTH OF THE BORROWER.**

ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE BORROWER IS INCLUDED IN THIS OFFERING CIRCULAR.

The sources and uses of Bond proceeds are expected to be substantially as follows:

Sources of Funds

Par Amount of Bonds	\$4,500,000
TOTAL SOURCES	<u>\$4,500,000</u>

Uses of Funds

Costs of Project	\$4,427,828
Financing Costs*	\$72,172
TOTAL USES	<u>\$4,500,000</u>

\* Includes the initial annual fee for the Letter of Credit, the Underwriter's fee, the initial fee of the Trustee, legal fees, and other costs of issuance of the Bonds.

## THE BONDS

### General

The Bonds will be issued as fully registered Bonds without coupons and will be dated as of and bear interest from the date of their initial delivery. The Bonds will mature on August 1, 2027, and are subject to mandatory and optional redemption prior to maturity as described under "THE BONDS - Redemption Prior to Maturity". A DEFAULT BY THE BORROWER UNDER THE REIMBURSEMENT AGREEMENT COULD CONSTITUTE AN EVENT OF DEFAULT UNDER THE INDENTURE AND RESULT IN THE ACCELERATION OF THE BONDS PRIOR TO THEIR MATURITY. The Bonds are issuable in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will be issued initially solely in book-entry form (see "THE BONDS - Book-Entry Only System" below).

In the event that the Bonds are no longer held in a book-entry only system, the principal of and redemption premium (if any) on the Bonds will be payable at the principal corporate trust office of, or at the office designated by, the Trustee, as Paying Agent, as defined in the Indenture, and payments of interest due on each Bond will be made by check mailed on each Interest Payment Date described below to the Holder of that Bond as of the close of business on the fifth Business Day preceding an Interest Payment Date (the "Regular Record Date") at such Holder's address as it appears on the registration books maintained by the Trustee, as Registrar. The term "Business Day" means a day of the year other than (i) a Saturday, Sunday or legal holiday on which banking institutions located in the State of Indiana are authorized or required by law to close or (ii) a day on which the payment system of the Federal Reserve System is not operational. In the event of a default in the payment of interest on any Bond when due, the Trustee may establish a Special Record Date with respect to that payment of interest when money becomes available for such payment.

Any act required to be done by a certain time is to be done as of the local time in the city where the designated corporate trust office of the Trustee is located (presently, Indianapolis, Indiana).

### **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond Certificate will be issued for the Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, advises that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. issues, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfer and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Securities (as defined in the DTC Rules) under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DTC, Borrower or Agent, disbursement of such payments to Direct Participants will be the



responsibility of, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Trustee's DTC account.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS HOLDER.

The Issuer cannot and does not give any assurances, representations or warranties that DTC, Direct Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owners, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Offering Circular.

The Issuer understands that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission, and that the current "Procedures" of DTC are on file with DTC.

The Indenture provides for the issuance and delivery of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Bonds.

Upon occurrence of such event, the Issuer may attempt to establish a securities depository book entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Trustee has notified the Beneficial Owners with respect to the Bonds by appropriate notice to DTC, the Issuer will issue and the Trustee will authenticate and deliver Replacement Bonds in the then applicable authorized denomination or any integral multiple thereof to the assignees of the Depository or its nominee. If the event is not the result of

the Issuer's action or inaction, such withdrawal, authentication and delivery will be at the expense of (including printing and delivery costs) any persons requesting such issuance.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Borrower or the Remarketing Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Borrower may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Borrower believes to be reliable, but the Borrower takes no responsibility for the accuracy thereof.

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

## **Interest**

The Bonds will bear interest in one of several different Adjustable Interest Rate Modes: Weekly, One Month, Three Month, Six Month, One Year, Three Year or Five Year (the "Adjustable Interest Rate Modes") or at a Fixed Interest Rate in the Fixed Interest Rate Mode. (The Adjustable Interest Rate Modes and the Fixed Interest Rate Mode are referred to as "Interest Rate Modes").

The Interest Rate Modes are described below under "Interest Rate Modes on Bonds." (The Weekly, One Month and Three Month Interest Rate Modes are collectively referred to as the "Short Term Adjustable Interest Rate Modes" and the Six Month, One Year, Three Year and Five Year Interest Rate Modes are collectively referred to as the "Long Term Adjustable Interest Rate Modes"). The Owner may elect to convert the Interest Rate Mode on the Bonds, from time to time, as described under "Conversion Between Interest Rate Modes" below.

While Bonds bear interest in one of the Adjustable Interest Rate Modes they bear interest in such mode for a period of time generally corresponding to the title of that Adjustable Interest Rate Mode (the "Interest Rate Period") at a rate determined by the Remarketing Agent. The Remarketing Agent determines the interest rate for a particular Interest Rate Period on the Interest Rate Determination Date for such Interest Rate Period. The Interest Rate Periods and Interest Rate Determination Dates for each Adjustable Interest Rate Mode are described below under "Interest Rate Modes on Bonds."

The Interest Payment Dates for the Bonds will be (a) the first Business Day of each month for any periods that Bonds bear interest at a Short Term Adjustable Interest Rate or (b) the

first day of each February and August for any periods that Bonds bear interest at a Long Term Adjustable Interest Rate or the Fixed Interest Rate.

While Bonds bear interest in a Short Term Adjustable Interest Rate Mode, such interest shall be calculated on the basis of a 365/366 day year. While Bonds bear interest in a Long Term Adjustable Interest Rate Mode or at the Fixed Interest Rate, such interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The Bonds will bear interest initially at the Weekly Interest Rate. The first Interest Payment Date for the Bonds will be the first Business Day of September, 2006. From the date of initial delivery through August 10, 2006, the interest rate on the Bonds shall be the rate per annum initially determined by the Underwriter. Thereafter, the Bonds shall bear interest at the Weekly Interest Rate as determined by the Remarketing Agent on each Interest Rate Determination Date, unless and until there has occurred a change to a different Interest Rate Mode on an applicable Interest Period Reset Date (defined under "Conversion Between Interest Rate Modes" herein).

### **Interest Rate Modes on Bonds**

While the Bonds bear interest in one of the Adjustable Interest Rate Modes, the interest rate for a particular Interest Rate Period is determined by the Remarketing Agent on the Interest Rate Determination Date. Such interest rate is effective on the Interest Rate Adjustment Date, for the succeeding Interest Rate Period.

The interest rate determined by the Remarketing Agent on the Interest Rate Determination Date is to be the lowest interest rate per annum determined by the Remarketing Agent for the Interest Rate Period commencing on the next Interest Rate Adjustment Date, in the judgment of the Remarketing Agent (taking into consideration current transactions and comparable securities with which the Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) at which, as of such Interest Rate Determination Date, the Bonds could be remarketed at par. In the event that the Remarketing Agent has been removed or has resigned and no successor has been appointed or the Remarketing Agent has failed to determine the appropriate interest rate on the Interest Rate Determination Date for whatever reason, the interest rate then in effect with respect to the Bonds, without adjustment, will continue for the next Interest Rate Period. In no event, however, may any interest rate on the Bonds exceed 10% per annum.

On the Interest Rate Determination Date, the Remarketing Agent will give the Trustee notice of the interest rate to be borne by the Bonds for the following Interest Rate Period. After any Interest Rate Determination Date any Holder or Beneficial Owner may contact the Trustee or the Remarketing Agent in order to be advised of the applicable interest rate. No notice of the applicable interest rate will be sent to the Holders.

The determination of any interest rate by the Remarketing Agent is binding and conclusive upon the Borrower, the Bank and the Holders of the Bonds.

The Interest Rate Modes and their Interest Rate Determination Dates, Interest Rate Adjustment Dates and Interest Rate Periods are as follows:

Weekly Interest Rate. In the Weekly Interest Rate Mode, the Interest Rate Period is a period of one week commencing on Friday. The Interest Rate Determination Date in the Weekly Interest Rate Mode is not later than 2:00 p.m. on Thursday of each week, or the next preceding Business Day if Thursday is not a Business Day. The Interest Rate Adjustment Date for the Weekly Interest Rate Mode is Friday of each week. (In the event of a conversion to the Weekly Interest Rate Mode from a different Interest Rate Mode, the first Interest Rate Period may be less than one week). Such first Interest Rate Period commences on the Interest Period Reset Date, which must be the first Business Day of a month (or the first day of a month upon conversion from a Long Term Adjustable Interest Rate Mode) and ends on the next succeeding Thursday. In such event, the Interest Rate Determination Date is not later than 2:00 p.m. on the Business Day preceding the Interest Period Reset Date. In the event of a conversion from the Weekly Interest Rate Mode to a different Interest Rate Mode, the last Interest Rate Period may be less than one week as a result of such last Interest Rate Period ending on the day preceding the first Business Day or the first day of a month.

One Month Interest Rate. In the One Month Interest Rate Mode, the Interest Rate Adjustment Date is the first Business Day of the month and the Interest Rate Period is one month commencing on the first Business Day of the month to and including the day preceding the first Business Day of the next month. The Interest Rate Determination Date is the seventh Business Day preceding the first Business Day of the month.

Three Month Interest Rate. In the Three Month Interest Rate Mode, the Interest Rate Adjustment Date is the first Business Day of each February, May, August and November and the Interest Rate Period commences on the Interest Rate Adjustment Date and continues up to and including the day preceding the next Interest Rate Adjustment Date. The Interest Rate Determination Date is the tenth Business Day before the Interest Rate Adjustment Date. In the event of a conversion from another Interest Rate Mode to the Three Month Interest Rate Mode, the first Interest Rate Adjustment Date would be the Interest Period Reset Date for the Three Month Interest Rate Mode which may be the first Business Day of any month or, if converting from a Long Term Adjustable Interest Rate Mode, the first day of any month. Accordingly, the first Interest Rate Period may be shorter than a full three months.

Six Month Interest Rate. In the Six Month Interest Rate Mode, the Interest Rate Adjustment Dates are February 1 and August 1 and the Interest Rate Period commences on the Interest Rate Adjustment Date and continues up to and including the last day of January or July preceding the next Interest Rate Adjustment Date. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. (Upon a conversion from another Interest Rate Mode to the Six Month Interest Rate Mode, the first Interest Rate Adjustment Date is the Interest Period Reset Date for the Six Month Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than a full six months.

One Year Interest Rate. In the One Year Interest Rate Mode, the Interest Rate Adjustment Date is either February 1 or August 1 and the Interest Rate Period is a one year period commencing on the appropriate Interest Rate Adjustment Date and ending on either the last day of January or July. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. (Upon a conversion from another Interest Rate

Mode to the One Year Interest Rate Mode the First Interest Rate Adjustment Date would be the Interest Period Reset Date for the One Year Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than one full year.

Three Year Interest Rate. In the Three Year Interest Rate Mode, the Interest Rate Adjustment Date is either February 1 or August 1 and the Interest Rate Period is a three year period commencing on the appropriate Interest Rate Adjustment Date and ending on the last day of January or July. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. Upon a conversion from another Interest Rate Mode to the One Year Interest Rate Mode the First Interest Rate Adjustment Date would be the Interest Period Reset Date for the Three Year Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than three full years.

Five Year Interest Rate. In the Five Year Interest Rate Mode, the Interest Rate Adjustment Date is either February 1 or August 1 and the Interest Rate Period is a five year period commencing on the appropriate Interest Rate Adjustment Date and ending on the last day of January or July. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date. Upon a conversion to the Five Year Interest Rate Mode from another Interest Rate Mode the first Interest Rate Adjustment Date would be the Interest Period Reset Date for the Five Year Interest Rate Mode, which may be the first Business Day or the first day of any month. Accordingly, the first Interest Rate Period may be shorter than five full years.

Fixed Interest Rate. In the Fixed Interest Rate Mode, there is only one Interest Rate Adjustment Date and that is the Interest Period Reset Date upon which such Interest Rate Mode commences. The Interest Rate Period commences on such Interest Rate Adjustment Date and continues to the final maturity of the Bonds. The Interest Rate Determination Date is the tenth Business Day preceding the Interest Rate Adjustment Date.

### **Conversion Between Interest Rate Modes**

The Interest Rate Mode on the Bonds may be changed, at the election of the Borrower with the approval of the Bank, as of an Interest Period Reset Date in the manner described below. "Interest Period Reset Date" means the date on which the interest rate on the Bonds converts from one Interest Rate Mode to a new Interest Rate Mode. An Interest Period Reset Date must be the first Business Day of a month; provided that, upon conversion from a Long Term Adjustable Interest Rate Mode, an Interest Period Reset Date shall be the first day of a month; and provided further that, except when converting from a Weekly Interest Rate Mode, an Interest Period Reset Date may not occur prior to the end of the preceding Interest Rate Period. On the first Business Day of September, 2006, with respect to the Bonds, and on any Interest Period Reset Date thereafter, the Interest Rate Mode on all of the Bonds may be converted to a different Interest Rate Mode upon receipt by the Trustee and the Remarketing Agent of a written direction from the Borrower, approved in writing by the Bank, given on behalf of the Issuer, not less than 45 days prior to such Interest Period Reset Date, to convert the interest rate on the Bonds to an Interest Rate Mode other than the Interest Rate Mode then in effect. Except when converting from the Weekly Interest Rate Mode, no Interest Period Reset Date shall be earlier

than the day after the end of the Interest Rate Period in effect on the date of such direction from the Borrower. Such direction to convert the interest rate on all or a portion of the Bonds to a different Interest Rate Mode shall be accompanied by (a) an opinion of nationally recognized bond counsel (“Bond Counsel”) stating that the conversion to the specified Interest Rate Mode will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes, (b) a written certificate of the Remarketing Agent stating that the interest coverage period provided by the Letter of Credit is appropriate for the Interest Rate Mode directed to be in effect and that the termination date of the Letter of Credit is no earlier than fifteen days after the end of the new Interest Rate Period, or if the conversion is to the Fixed Interest Rate, that the termination date of the Letter of Credit is no earlier than 15 days after the First Optional Redemption Date (as hereinafter defined), and (c) a written certificate of the Remarketing Agent stating that it has received certifications, opinions or other evidence satisfactory to it that there has been or will be compliance with any applicable state or federal securities law requirements, including, without limitation, Rule 15c2-12 of the Securities and Exchange Commission, as amended (“Rule 15c2-12”). If the Bonds bear interest at a Short Term Adjustable Interest Rate, the interest coverage period for the Letter of Credit must be at least 45 days of interest at the maximum rate of 10% per annum. If the Bonds bear interest at a Long Term Adjustable Interest Rate or the Fixed Interest Rate, then the interest coverage period for the Letter of Credit must be at least 195 days of interest at such maximum rate of interest. The Borrower shall be required to provide a Letter of Credit or an Alternate Letter of Credit which will provide the appropriate interest coverage. Notwithstanding any provision described in this paragraph, no conversion shall be effective (i) if the Bonds after the conversion would bear interest at a One Year Interest Rate, Three Year Interest Rate, Five Year Interest Rate or Fixed Interest Rate and the Borrower makes an election on or prior to the day immediately succeeding any Interest Rate Determination Date not to proceed with the proposed conversion or (ii) the Trustee has not received on the effective date of such conversion an opinion of Bond Counsel to the same effect as described in clause (a) above. In either such event, then the Interest Rate Mode for the Bonds which were to be converted to a different Interest Rate Mode will remain in the Interest Rate Mode then in effect for the Bonds without regard to any proposed conversion. The Bonds which were to be converted to a different Interest Rate Mode will continue to be subject to tender for purchase on the scheduled effective date of the proposed conversion without regard to the failure of such proposed conversion. If the Trustee shall have sent any notice to Holders regarding the proposed conversion, then in the event of a failure of such conversion as specified above, the Trustee shall promptly notify all Holders of such failure, and of the reason for such failure, of the continuation of the Interest Rate Mode then in effect.

If the Interest Rate Mode on any of the Bonds is converted to a different Interest Rate Mode, at least 30 days prior to the Interest Period Reset Date, the Trustee shall use its best efforts to notify Holders of such Bonds by telephone (to the extent their telephone numbers have been provided in writing to the Trustee), immediately confirmed in writing by first class mail to all Holders, that upon such Interest Period Reset Date such Bonds shall be converted to a different Interest Rate Mode, which Interest Rate Mode shall be specified, and that such Bonds or Beneficial Ownership Interests shall be subject to mandatory tender (see “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes”). So long as the Bonds are held by DTC or its nominee, CEDE & CO., in book-entry only form, the Trustee will recognize and treat DTC or its nominee, CEDE & CO., as the Holder of Bonds for all purposes under the Indenture (see “THE BONDS – Book-Entry Only

System” herein). Consequently, the foregoing notices of conversion will be sent by the Trustee only to DTC or its nominee and any corresponding notice to the owners of Book Entry Interests will be the responsibility of DTC and the applicable Direct Participant or Indirect Participant.

The Borrower may elect to convert between Interest Rate Modes with respect to the Bonds from time to time, as described above. If the Borrower, however, elects to convert the Bonds to a Fixed Interest Rate Mode, no further conversions between Interest Rate Modes may be made with respect to the Bonds.

### **Mutilated, Lost, Wrongfully Taken, Undelivered or Destroyed Bonds**

If a Bond is mutilated, lost, wrongfully taken or destroyed, or any tendered Bond or Bond deemed to have been tendered is not delivered pursuant to the terms of the Indenture, in the absence of written notice to the Issuer and the Trustee that such Bond has been acquired by a bona fide purchaser, the Trustee shall authenticate a new Bond. Any mutilated Bond shall be surrendered to the Trustee, and in the case of any lost, wrongfully taken or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, wrongful taking or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to the Issuer, the Trustee, the Borrower and the Bank and payment of any out of pocket costs of the Issuer. In the case of any tendered Bond which is undelivered there shall be satisfactory loss indemnity furnished to the Issuer, the Trustee, the Borrower and the Bank by the nondelivering Holder. In the event any such lost, wrongfully taken or destroyed Bond shall have matured or has been called for redemption, instead of issuing a new Bond, the Borrower may direct the Trustee to pay the same without surrender thereof upon the furnishing of the satisfactory evidence and indemnity as in the case of issuance of a new Bond. The Issuer, the Registrar and the Trustee may charge the Holder of any mutilated, lost, undelivered or destroyed Bond their reasonable fees and expenses in connection therewith.

### **Redemption Prior to Maturity**

The Bonds are callable for redemption in the circumstances and in the manner described below under “Optional Redemption”, “Extraordinary Optional Redemption”, “Mandatory Redemption Upon a Determination of Taxability” and “Special Mandatory Redemption”.

#### **Optional Redemption**

Upon the election of the Borrower, the Bonds are subject to redemption by the Issuer, but only while the Bonds bear interest in one of the Adjustable Interest Rate Modes, in whole or in part (in integral multiples of \$5,000, provided that the unredeemed portion of any Bond redeemed in part shall be \$100,000 or more) on any Interest Payment Date, in the case of Bonds bearing interest at a Short Term Adjustable Rate, or on any Interest Rate Adjustment Date, in the case of Bonds bearing interest at a Long Term Adjustable Rate, at a redemption price of 100% of the principal amount redeemed, plus interest accrued thereon to the redemption date.

If the Bonds bear interest at the Fixed Interest Rate, upon the election of the Borrower, the Bonds are subject to redemption by the Issuer in whole or in part at any time on or after the First Optional Redemption Date, as defined below, at redemption prices described below (as a percentage of principal to be redeemed) plus accrued interest to the date of redemption:

<u>Redemption Dates</u> <u>Occurring During Following Periods</u>	<u>Redemption Prices</u>
First Optional Redemption Date, through the last day of the following July	103%
First Anniversary of the First Optional Redemption Date, through the last day of the following July	102%
Second Anniversary of the First Optional Redemption Date through the last day of the following July	101%
Third Anniversary of the First Optional Redemption Date and thereafter	100%

“First Optional Redemption Date” means the August 1 occurring in the year which is the number of years after the Interest Period Reset Date for the Fixed Interest Rate Period equal to the number of full years between the Interest Period Reset Date and the maturity date of the Bonds, multiplied by one-half and rounded up to the nearest whole number.

**Any portion of any redemption price in excess of 100% of the principal amount redeemed plus accrued interest is not payable from a draw on the Letter of Credit.**

#### **Extraordinary Optional Redemption**

At the option of the Borrower, with the written consent of the Bank, the Bonds are subject to redemption by the Issuer at any time in whole at a redemption price of 100% of the principal amount thereof redeemed, plus accrued interest thereon to the redemption date, upon the occurrence of any of the following events:

(a) The property of the Borrower financed or refinanced with proceeds of the Bonds (the “Project”) or the real estate or interests in real estate constituting the site of the Project (“the Project Site”) shall have been damaged or destroyed to such an extent that (1) the Project or the Project Site cannot reasonably be expected to be restored, within a period of six months, to the condition thereof immediately preceding such damage or destruction or (2) the normal use and operation of the Project or the Project Site is reasonably expected to be prevented for a period of six consecutive months;

(b) Title to, or the temporary use of, all or a significant part of the Project or the Project Site shall have been taken under the exercise of the power of eminent domain (1) to such extent that the Project or the Project Site cannot reasonably be expected to be restored within a period of six months to a condition of usefulness comparable to that existing prior to the taking or (2) as a result of the taking, normal use and operation of the Project or the Project Site is reasonably expected to be prevented for a period of six consecutive months;



(c) As a result of any changes in the Constitution of the State of Indiana, the constitution of the United States of America, or state or federal laws, or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Issuer, the Trustee or the Borrower in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Loan Agreement, or if unreasonable burdens or excessive liabilities shall have been imposed with respect to the Project or the Project Site or the operation thereof, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project or the Project Site; or

(d) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies for the Project (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or the Project Site shall have occurred or technological or other changes shall have occurred which the Borrower cannot reasonably overcome or control and which in the Borrower's reasonable judgment render the Project or the Project Site uneconomic.

To exercise any such redemption option, the Borrower within 90 days following the event authorizing the exercise of that option, or at any time during the continuation of the condition referred to in clause (d) above, shall give notice to the Issuer and to the Trustee specifying the date on which the Borrower will deliver the funds required for that redemption, which date shall be not more than ninety days from the date that notice is mailed and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

The Borrower also shall have the option, with the written consent of the Bank, in the event that title to or the temporary use of a portion of the Project or the Project Site shall be taken under the exercise of the power of eminent domain, even if the taking is not of such nature as to permit the exercise of the redemption option upon an event specified in (b) above, to direct the redemption, at a redemption price of 100% of the principal amount thereof prepaid, plus accrued interest to the redemption date, of that part of the outstanding principal balance of the Bonds as may be payable from the proceeds received by the Borrower (after the payment of costs and expenses incurred in the collection thereof) received in the eminent domain proceeding, provided that the Borrower shall furnish to the Issuer and the Trustee a certificate of an Engineer (as defined in the Loan Agreement) stating that (1) the property comprising the part of the Project or the Project Site taken is not essential to continued operations of the Project in the manner existing prior to that taking, (2) the Project has been restored to a condition substantially equivalent to that existing prior to the taking, or (3) other improvements have been acquired or made which are suitable for the continued operation of the Project.

Notwithstanding anything herein to the contrary, as provided in the Indenture, the Trustee will not, except (i) with the prior written consent of the Bank and (ii) for optional redemptions of Bonds pursuant to the requirements of the Reimbursement Agreement, cause notice of optional redemption to be sent to Holders as provided herein under "THE BONDS" - Redemption Prior to Maturity - Notice of Redemption and Payments," unless the Borrower deposits Eligible Funds,

as defined in the Indenture, into the Bond Fund, as provided in the Indenture, in the amount necessary to reimburse the Bank for the draw on the Letter of Credit to effect such redemption and an amount of money equal to any premium payable upon such redemption. PREMIUMS ARE NOT PAYABLE FROM DRAWS ON THE LETTER OF CREDIT.

### **Mandatory Redemption Upon a Determination of Taxability**

Upon the occurrence of a Determination of Taxability, as defined below, the Bonds are subject to mandatory redemption in whole at a redemption price equal to 100% of the outstanding principal amount thereof, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than 90 days following receipt by the Trustee of notice of the Determination of Taxability. The occurrence of a Determination of Taxability with respect to the Bonds will not constitute an Event of Default under the Indenture.

“Determination of Taxability” means the receipt by the Trustee of a ruling or technical advice by the Internal Revenue Service in which the Borrower has participated or a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds selected by the Trustee or a Holder and approved by the Borrower, which approval shall not be unreasonably withheld, to the effect that interest on the Bonds is includable in the gross income of Federal income tax purposes of a Holder.

Within five Business Days after receipt by the Trustee of written notice of a Determination of Taxability, the Trustee shall give written notice thereof to the Holders of all Bonds then outstanding, as shown by the Register, and shall also give written notice to the Borrower, the Issuer, and the Bank.

### **Special Mandatory Redemption**

The Bonds are subject to special mandatory redemption in part on August 1, 2009, in an amount equal to the sum of any amounts remaining in the Project Fund on July 1, 2009, plus any funds deposited by the Borrower into the Bond Fund in order to redeem Bonds in integral multiples of \$5,000.

The redemption price in such event shall be one hundred percent (100%) of the principal amount of Bonds to be redeemed, plus accrued interest thereon to the redemption date.

If the Borrower causes to be delivered to the Trustee, on or before the date which the Borrower is required to give notice of redemption pursuant to the Indenture, an opinion of Bond Counsel to the effect that such special mandatory redemption is not necessary to preserve the exemption from Federal income taxation of the interest on the Bonds, no such redemption shall occur.

### **Notice of Redemption and Payments**

Notice of redemption with respect to the Bonds is to be given by the Trustee on behalf of the Issuer to the registered owner of each Bond being redeemed by first class mail, addressed to the last known address of such Holder as it appears upon the Register (the “Register”)

maintained by the Registrar, or at such other address as is furnished in writing by the Holder to the Registrar, not less than 30 days nor more than 60 days prior to redemption. Failure to receive any such notice or any defect therein shall not affect the validity of any proceeding for the redemption of any other Bond.

Notice of the call for redemption of Bonds held under a book entry system will be sent by the Trustee only to DTC or its nominee as registered owner. Selection of book entry interests in the Bonds called, and notice of call to the owners of those interests called, is the responsibility of DTC, Direct Participants and Indirect Participants. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or any Indirect Participant to notify the Beneficial Owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of the Bonds (see “THE BONDS - Book-Entry Only System” herein).

When less than all the outstanding Bonds of a series that are stated to mature on different dates are called for redemption at one time, those Bonds which are called shall be called in inverse order of the maturities of the Bonds of that series to be redeemed. When less than all of the Bonds of a single maturity are to be redeemed at any time or from time to time, the selection of such Bonds or portions of Bonds is to be made by lot in such manner as determined by the Trustee; provided that the Trustee shall select Bonds for redemption so as to assure that after such redemption no Holder shall retain Bonds in an aggregate amount less than \$100,000. Except as provided in the preceding sentence, if less than all of an outstanding Bond of one maturity held under a book entry system is to be called for redemption, the Trustee will give notice of redemption only to DTC or its nominee as registered owner. The selection of the book entry interests in that Bond to be redeemed, and notice of call to the owners of those interests called, is the responsibility of DTC, Direct Participants and Indirect Participants.

The Trustee is required to draw upon the Letter of Credit in amounts sufficient to pay the principal amount of the Bonds to be redeemed and any interest accrued thereon.

If any Bonds are not presented for payment at the date fixed for their redemption and the funds for such payment are available therefor, the Holders of such Bonds will thereafter be restricted exclusively to the funds available for redemption for the satisfaction of any claim relating to such Bonds. Any such funds remaining unclaimed for four years after becoming due and payable shall be paid to the Bank, unless it confirms to the Trustee that no moneys are due to the Bank under the Reimbursement Agreement, in which case such funds shall be paid to the Borrower and the Holders of such Bonds shall thereafter be entitled to look only to the Borrower for payment and only in an amount equal to the amounts received by or paid to or on behalf of the Borrower, without any interest thereon.

### **Purchase of Bonds or Beneficial Ownership Interests on Demand of Holders or Beneficial Owners**

While the Bonds bear interest in any Adjustable Interest Rate Mode, each Holder and each Beneficial Owner shall have the option to tender for purchase by the Trustee all of the Bonds or Beneficial Ownership Interests owned by such Holder or Beneficial Owner, or such lesser principal amount thereof (in denominations of \$100,000 or integral multiples of \$5,000 in

excess thereof, provided that the untendered portion of any Bond or Beneficial Ownership Interest shall be \$100,000 or more in principal amount) as such Holder or Beneficial Owner may specify in accordance with the terms, conditions and limitations set forth in the Indenture. The Trustee shall purchase such tendered Bonds or Beneficial Ownership Interests at their par value plus, if the Bonds bear interest in the Weekly Interest Rate Mode, interest accrued to the date of purchase. The purchase price shall be paid by the Trustee first from the proceeds of the remarketing of the Bonds or Beneficial Ownership Interests, and second from money drawn on the Letter of Credit if the proceeds of remarketing are insufficient to pay the purchase price. Such purchase price will be paid in lawful money of the United States of America by check and will be paid in full on the Bond Purchase Date.

The term “Bond Purchase Date” means any Business Day selected by the Holder or Beneficial Owner while the Bonds bear interest in the Weekly Interest Mode and if the Interest Rate Mode on the Bonds is to be converted from the Weekly Interest Rate Mode to a new Interest Rate Mode, must be a date no later than the Interest Period Reset Date with respect to that new Interest Rate Mode. While the Bonds bear interest in any other Adjustable Interest Rate Mode, the term “Bond Purchase Date” means any Interest Rate Adjustment Date. The Holders or Beneficial Owners do not have the option to tender their Bonds or Beneficial Ownership Interests for purchase after the Interest Rate Mode on the Bonds has been converted to the Fixed Interest Rate Mode.

To exercise the option to tender for purchase, the Holder or Beneficial Owner must (1) give notice to the Trustee by the time and the date set forth below in writing or by telecopy stating (i) the name and address of the Holder or Beneficial Owner, (ii) the principal amount, CUSIP number and bond numbers of Bonds or Beneficial Ownership Interests to be purchased, (iii) that such Bonds or Beneficial Ownership Interests are to be purchased on the Bond Purchase Date pursuant to the terms of the Indenture, and (iv) that such notice is irrevocable, (2) in the case of a purchase of a Beneficial Ownership Interest, provide the Trustee with evidence satisfactory to the Trustee of such Beneficial Owner’s Beneficial Ownership Interest, (3) in the case of a Holder deliver to the Trustee at its principal corporate trust office (by the time and date set forth below), the Bonds to be purchased, accompanied by fully completed and executed Instructions to Sell, the form of which is printed on the Bonds and (4) in the case of a Beneficial Owner cause the transfer of the Beneficial Owner’s Beneficial Ownership Interest on the records of DTC as instructed by the Trustee (by the date and time set forth below). Any Bonds not so delivered after a demand for purchase and any Beneficial Ownership Interests not so transferred on the records of DTC shall be deemed tendered. (All references to local time mean local time in the city where the designated corporate trust office of the Trustee is located, presently Indianapolis, Indiana.) Notwithstanding the foregoing, so long as the Bonds are held in the DTC book-entry only system, the requirement of physical delivery of tendered Bonds will be deemed to be satisfied as described herein under “THE BONDS-Book-Entry Only System.”

Weekly Interest Rate Mode. To exercise such option while the Bonds bear interest in the Weekly Interest Rate Mode, the Holder or Beneficial Owner must (1) give the notice no earlier than the fifteenth day and no later than the seventh day prior to the Bond Purchase Date, (2) in the case of a Holder deliver the Bonds no later than 10:00 a.m. local time on the second Business Day preceding the Bond Purchase Date and (3) in the case of a Beneficial Owner, cause the transfer of the Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the Bond

Purchase Date. In the case of a Bond or Beneficial Ownership Interest or portion thereof to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof the Holder or Beneficial Owner shall deliver a due-bill check, in form satisfactory to the Trustee, for interest due on such Interest Payment Date.

One Month Interest Rate Mode. To exercise the option to tender while the Bonds bear interest in the One Month Interest Rate Mode the Holder or Beneficial Owner must (1) give the notice to the Trustee no earlier than fifteen days prior to the Bond Purchase Date and no later than 11:00 a.m. local time on the fifth Business Day prior to the Bond Purchase Date, (2) in the case of a Holder deliver the Bonds no later than 10:00 a.m. local time on the fourth day prior to the Bond Purchase Date or the next preceding Business Day if such fourth day is not a Business Day and (3) in the case of a Beneficial Owner cause the transfer of the Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the Bond Purchase Date.

Other Adjustable Interest Rate Modes. To exercise the option to tender while the Bonds bear interest in any Adjustable Interest Rate Mode other than the One Month Interest Rate Mode or the Weekly Interest Rate Mode, the Holder or Beneficial Owner must (1) give the notice to the Trustee no earlier than fifteen days prior to the Bond Purchase Date and no later than 11:00 a.m. local time on the eighth Business Day prior to the Bond Purchase Date, (2) in the case of a Holder deliver the Bonds no later than 10:00 a.m. local time on the seventh day prior to the Bond Purchase Date or the next preceding Business Day if such seventh day is not a Business Day and (3) in the case of a Beneficial Owner, cause the transfer of the Beneficial Ownership Interest on the records of DTC by 10:00 a.m. on the Bond Purchase Date.

If less than all of a Bond so delivered is to be purchased, the Trustee will authenticate one or more Bonds, registered in the name of such Holder, having the aggregate principal amount being retained by such Holder, and will deliver such authenticated Bond or Bonds to such Holder.

The tender options granted to the Holders and the Beneficial Owners and all mandatory Bond tenders are subject to the additional condition that any tendered Bonds or Beneficial Ownership Interests (or the applicable portions thereof) will not be purchased if such Bonds or Beneficial Ownership Interests (or applicable portions thereof) mature or are redeemed on or prior to the applicable Bond Purchase Date.

SO LONG AS THE BONDS ARE HELD BY DTC OR ITS NOMINEE, CEDE & CO., IN BOOK-ENTRY ONLY FORM, THE TRUSTEE WILL RECOGNIZE AND TREAT DTC OR ITS NOMINEE, CEDE & CO., AS THE HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THE INDENTURE, PROVIDED THAT THE TRUSTEE WILL RECOGNIZE BENEFICIAL OWNERS FOR PURPOSES OF THE PURCHASE OF BENEFICIAL OWNERSHIP INTERESTS. (SEE "THE BONDS – BOOK-ENTRY ONLY SYSTEM" HEREIN). CONSEQUENTLY, EACH BENEFICIAL OWNER OF A BOND IS RESPONSIBLE FOR OBSERVING THE PROCEDURES OF THE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT WHICH MAINTAINS A RECORD OF SUCH INTEREST IN BONDS IN ORDER TO PERMIT THE TIMELY OBSERVANCE OF THE TENDER PROCESS WITH RESPECT TO AN INTEREST IN BONDS OTHER THAN A BENEFICIAL OWNERSHIP INTEREST ABOVE. EACH BENEFICIAL OWNER IS RESPONSIBLE FOR

OBSERVING THE PROCEDURES OF THE DIRECT PARTICIPANT, INDIRECT PARTICIPANT AND THE TRUSTEE, AS SET FORTH IN THE INDENTURE, IN ORDER TO PERMIT THE TIMELY OBSERVANCE OF THE TENDER PROCESS WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS.

### **Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes**

Upon any conversion of the Bonds from one Interest Rate Mode to another, the Bonds or Beneficial Ownership Interests shall be subject to mandatory purchase on the Interest Period Reset Date with respect to the new Interest Rate Mode.

The Borrower is required to give notice to the Trustee and Remarketing Agent of its election to convert the Bonds to a new Interest Rate Mode at least 45 days prior to the Interest Period Reset Date for the new Interest Rate Mode. The Trustee is required to notify Holders of all outstanding Bonds of such conversion to a different Interest Rate Mode at least 30 days before the Interest Period Reset Date. Unless the new Interest Rate Mode is a Weekly Interest Rate Mode or the One Month Interest Rate Mode, the Remarketing Agent will determine the interest rate for the first Interest Rate Period for the new Interest Rate Mode on the Interest Rate Determination Date, which will be the tenth Business Day before the Interest Period Reset Date for the new Interest Rate Mode. If the new Interest Rate Mode is the Weekly Interest Rate Mode, the Remarketing Agent will determine the first Weekly Interest Rate on the Interest Rate Determination Date for the Weekly Interest Rate Mode, which will be 2:00 p.m. local time of the Trustee on the Business Day preceding the Interest Period Reset Date. If the new Interest Rate Mode is the One Month Interest Rate Mode, the Interest Rate Determination Date will be the seventh Business Day before the Interest Period Reset Date. A Holder or Beneficial Owner may be advised of the interest rate for the first Interest Rate Period for the new Interest Rate Mode by calling the Trustee or the Remarketing Agent on the Interest Rate Determination Date or thereafter.

Bonds or Beneficial Ownership Interests shall be deemed to have been tendered whether or not the Holders or Beneficial Owners thereof shall have delivered such Bonds or Beneficial Ownership Interests to the Trustee, and subject to the right of the Holders or Beneficial Owners of such Bonds or Beneficial Ownership Interests to receive the purchase price of such Bonds or Beneficial Ownership Interests and interest accrued thereon to the Interest Period Reset Date, such Bonds or Beneficial Ownership Interests shall be null and void and the Trustee shall authenticate and deliver new Bonds or shall create new Beneficial Ownership Interests in replacement thereof pursuant to the remarketing of such Bonds or Beneficial Ownership Interests or the pledge of such Bonds or Beneficial Ownership Interests to the Bank in lieu of remarketing such Bonds.

SO LONG AS THE BONDS ARE HELD BY DTC OR ITS NOMINEE, CEDE & CO., IN BOOK-ENTRY ONLY FORM, THE TRUSTEE WILL RECOGNIZE AND TREAT DTC OR ITS NOMINEE, CEDE & CO., AS THE HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THE INDENTURE, PROVIDED HOWEVER THAT THE TRUSTEE WILL RECOGNIZE A BENEFICIAL OWNER WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS (SEE "THE BONDS BOOK-ENTRY ONLY SYSTEM" HEREIN).

### **Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Delivery of an Alternate Letter of Credit**

If at any time the Borrower shall provide for the delivery to the Trustee of an Alternate Letter of Credit (as hereinafter defined) on the Replacement Date (as hereinafter defined), all Bonds or Beneficial Ownership Interests shall be subject to mandatory tender by the Holders or Beneficial Owners thereof, on a date selected by the Borrower which is not less than five Business Days preceding the Replacement Date (a "Bond Purchase Date").

At least 30 days prior to the Bond Purchase Date the Trustee shall use its best efforts to notify the Holders of all outstanding Bonds by first class mail to all Holders, that an Alternate Letter of Credit is to be delivered by the Borrower to the Trustee. Such notice shall provide the name of the issuer of the Alternate Letter of Credit, and that all Bonds or Beneficial Ownership Interests shall be subject to mandatory tender (see "THE LETTER OF CREDIT - Alternate Letter of Credit" herein).

Bonds or Beneficial Ownership Interests shall be deemed to have been tendered whether or not the Holders or Beneficial Owners thereof shall have delivered such Bonds or Beneficial Ownership Interests to the Trustee, and subject to the right of the Holders or Beneficial Owners of such Bonds or Beneficial Ownership Interests to receive the purchase price of such Bonds or Beneficial Ownership Interests and interest accrued thereon to the Bond Purchase Date, such Bonds or Beneficial Ownership Interests shall be null and void and the Trustee shall authenticate and deliver new Bonds or shall create new Beneficial Ownership Interests in replacement thereof pursuant to the remarketing of such Bonds or Beneficial Ownership Interests or the pledge of such Bonds or Beneficial Ownership Interests to the Bank in lieu of remarketing such Bonds or Beneficial Ownership Interests.

SO LONG AS THE BONDS ARE HELD BY DTC OR ITS NOMINEE, CEDE & CO., IN BOOK-ENTRY ONLY FORM, THE TRUSTEE WILL RECOGNIZE AND TREAT DTC OR ITS NOMINEE, CEDE & CO., AS THE HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THE INDENTURE PROVIDED, HOWEVER, THE TRUSTEE WILL RECOGNIZE A BENEFICIAL OWNER WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS. (SEE "THE BONDS BOOK - ENTRY ONLY SYSTEM" HEREIN).

### **Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interest Upon Expiration of Letter of Credit**

The Bonds or Beneficial Ownership Interests are subject to mandatory tender by the Holders or Beneficial Owners thereof on the Interest Payment Date (or if such Interest Payment Date is not a Business Day, the Business Day next following such Interest Payment Date) (the "Mandatory Bond Purchase Date") which next precedes, by at least two Business Days, the Termination Date (as herein defined) of the Letter of Credit, unless at least 45 days prior to any such Mandatory Bond Purchase Date, (a) the Bank shall have agreed to an extension or further extension of the Termination Date to a date no earlier than one year from the Termination Date of the Letter of Credit being extended or (b) pursuant to the Indenture the Borrower shall have obtained and delivered to the Trustee an Alternate Letter of Credit with a Termination Date not earlier than the later of the expiration date of the Letter of Credit being replaced or the date

which is 15 days after the end of the Interest Rate Period applicable or to be applicable to the Bonds (or if the Bonds bear or are to bear interest at the Fixed Interest Rate, not earlier than 15 days after the First Optional Redemption Date. The purchase price in the event of such a mandatory tender of the Bonds or Beneficial Ownership Interest shall equal the principal amount thereof plus accrued interest thereon to the Mandatory Bond Purchase Date.

At least 15 days, but not more than 30 days, prior to the Mandatory Bond Purchase Date the Trustee shall use its best efforts to notify the Holders or Beneficial Owners of all outstanding Bonds or Beneficial Ownership Interests by telephone (to the extent their telephone numbers have been provided in writing to the Trustee), immediately confirmed by first class mail, of the Mandatory Bond Purchase Date. Such notice shall provide that all Bonds or Beneficial Ownership Interests shall be subject to mandatory tender on such Mandatory Bond Purchase Date, and shall set forth the applicable purchase price.

Bonds or Beneficial Ownership Interests not tendered for purchase as required by the provisions described in the preceding paragraph shall be deemed to have been tendered subject to the right of the Holders or Beneficial Owners of the Bonds or Beneficial Ownership Interests to receive the purchase price of such Bond or Beneficial Ownership Interests.

### **Remarketing of Bonds or Beneficial Ownership Interests**

Whenever Bonds or Beneficial Ownership Interests are tendered for purchase by the Holder or Beneficial Owners thereof, either by optional tender or mandatory tender, as described above, the Remarketing Agent will use its best efforts to remarket such Bonds or Beneficial Ownership Interests. If Bonds or Beneficial Ownership Interests tendered for purchase are not remarketed by the Remarketing Agent, the Trustee shall draw on the Letter of Credit to pay the purchase price of such Bonds or Beneficial Ownership Interests and such Bonds or Beneficial Ownership Interests (or beneficial interests therein recorded in the name of the Bank or its nominee) will be delivered to the Bank or, at the direction of the Bank, held by the Trustee for the benefit of the Bank. Any due-bill checks delivered to the Trustee pursuant to a tender of Bonds or Beneficial Ownership Interests shall be delivered to the Holder or Beneficial Owner to whom such Bonds or Beneficial Ownership Interests have been remarketed, or to the Bank if the purchase price for the Bonds or Beneficial Ownership Interests has been paid pursuant to a draw on the Letter of Credit.

### **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds will constitute special and limited obligations of the Issuer payable solely from, and secured by, the revenues pledged and assigned by the Indenture to secure that payment. Those revenues include the loan payments required to be made by the Borrower under the Loan Agreement and the Note; all other moneys received by the Issuer or the Trustee for the account of the Issuer in respect of repayment of the Bonds; all moneys and investments in the Project Fund (as defined in the Indenture and hereinafter described); all moneys and investments in the Bond Fund (as defined in the Indenture and hereinafter described), including money received by the Trustee from draws on the Letter of Credit; and the income and profit from the investment of those moneys (collectively, the “Revenues”).



THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER OR THE STATE OF INDIANA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUER OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.

The principal of and interest on the Bonds will be payable from the proceeds of draws under the Letter of Credit. The Borrower’s obligation to reimburse the Bank for such draws, as provided for in the Reimbursement Agreement, will be secured by the Bank Security Documents (see “INTRODUCTORY STATEMENT”). The Bank Security Documents will be for the sole benefit and security of the Bank and will not be for the benefit of or secure the Trustee or the Holders.

*The Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and are not being offered on the basis of the financial strength of the Borrower or any other security. This Offering Circular does not describe the financial condition of the Borrower. The Bonds are subject to acceleration of maturity upon the occurrence of a default by the Borrower under the Reimbursement Agreement, but such defaults are not summarized or set forth herein. As a result of the foregoing, prospective investors will not be able to evaluate the likelihood of a default by the Borrower under the Reimbursement Agreement.*

Enforceability of the provisions of the Bonds, the Loan Agreement, the Letter of Credit and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion in accordance with general principles of equity.

IN THE EVENT OF A DEFAULT BY THE BANK UNDER THE LETTER OF CREDIT, NO INSURANCE PROCEEDS FROM THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, INSTRUMENTALITY OR AUTHORITY WOULD BE AVAILABLE TO PAY BONDHOLDERS.

## **RISKS TO BONDHOLDERS**

In addition to factors set forth elsewhere in this Offering Circular, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds.

1. Upon the occurrence of certain events, including, but not limited to, (a) default by the Borrower of its obligations under the Bonds, the Loan Agreement or the Reimbursement Agreement and (b) damage to or condemnation of all or a part of the Project or the Project Site, the Bonds may be subject to prepayment in whole or in part at a price equal to 100% of the principal amount thereof (without premium), plus accrued interest (see “THE

LOAN AGREEMENT,” “THE REIMBURSEMENT AGREEMENT” and “THE BONDS - Optional Redemption” herein).

2. The Principal of (but not redemption premium) and up to forty-five (45) days’ accrued interest on the Bonds are secured by the Letter of Credit. The Letter of Credit expires on August 15, 2011 (unless extended) subject to earlier termination as provided therein, and unless the Letter of Credit is renewed, replaced or extended, the Bonds are subject to mandatory purchase in whole at a price equal to 100% of the principal amount thereof, plus accrued interest on the Interest Payment Date next preceding August 15, 2011 (see “THE BONDS Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Expiration of Letter of Credit” and “THE LETTER OF CREDIT - Alternate Letter of Credit” herein).

3. The Bonds or Beneficial Ownership Interests are subject to mandatory purchase upon the conversion of the interest rate on the Bonds or Beneficial Ownership Interests to a different Interest Rate Mode, on the Interest Period Reset Date upon which such conversion is effective, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest (see “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes” herein).

4. The primary security for the Bonds is intended to be the Letter of Credit delivered by the Bank to the Trustee. As a consequence, no financial information in respect of the credit worthiness of the Borrower is included herein. Reference is hereby made to the Appendix hereto which contains certain financial information regarding the Bank. It is possible, in the event of the insolvency of the Bank, or the occurrence of some other event precluding the Bank from honoring its obligation to make payments as stated in the Letter of Credit, that the financial resources of the Borrower will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Borrower would be sufficient to pay the principal, premium, if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Borrower.

5. Enforcement of remedies provided in the Indenture with respect to payments to be made by the Bank under the Letter of Credit may be limited by insolvency, bankruptcy or other laws relating to creditors, rights generally. The security provided by the Letter of Credit for payment of the principal of and interest on the Bonds, or the purchase price of the Bonds or Beneficial Ownership Interests, may be impaired in the event of a deterioration of the financial condition of the Bank, as the Letter of Credit represents a general claim against the assets of the Bank.

6. Performance by the Bank of its obligations under the Letter of Credit is subject to the satisfaction of certain conditions by the Trustee, as set forth in the Letter of Credit. Bondholders are thus dependent upon the Trustee acting to satisfy such conditions before they will receive the benefit of the Letter of Credit. Furthermore, the question of whether the Trustee has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Trustee’s rights of enforcement of the Letter of Credit.

7. The United States Bankruptcy Code generally stays the enforcement of claims against the estate of a bankrupt once a petition in bankruptcy is filed. The Bank is required under the Letter of Credit to pay amounts sufficient to pay the principal of and up to forty-five (45) days' interest on the Bonds in the event of the bankruptcy of the Borrower. However, it is possible in the event of a bankruptcy of the Borrower that a bankruptcy court could at least temporarily stay the payment of the Letter of Credit until relief from that stay is granted by the court, thus delaying payment to the Bondholders.

8. Bond Counsel will opine that interest on the Bonds will not be includable in the gross income of the Holders thereof for federal income tax purposes. However, Bond Counsel's opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes and is conditioned on continuing compliance by the Issuer and the Borrower with representations and covenants contained in the Indenture, the Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Bonds (the "Tax Covenants"). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue. Furthermore, certain categories of Bondholders may be subject to taxation as discussed under "TAX TREATMENT" herein.

9. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **THE LETTER OF CREDIT**

The following summarizes certain provisions of the Letter of Credit issued by the Bank. Reference is made to the Letter of Credit for the detailed provisions thereof. The Letter of Credit will be held by the Trustee.

The Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee up to the total of the following amounts (the "Stated Amount"), upon the terms and conditions set forth in the Letter of Credit: (a) the outstanding principal amount of the Bonds, to enable the Trustee to pay (i) the principal amount of the Bonds when due at maturity, upon redemption or acceleration and (ii) the portion of the purchase price of Bonds or Beneficial Ownership Interests tendered to it and equal to the principal amount of such tendered Bonds or Beneficial Ownership

Interests, plus (b) an amount equal to interest to accrue on Bonds for 45 days at the maximum interest rate of 10% per annum, to enable the Trustee to pay (i) the interest on the Bonds when due and (ii) the portion, if any, of the purchase price of Bonds or Beneficial Ownership Interests tendered to the Trustee equal to the accrued interest on such Bonds or Beneficial Ownership Interests. THE LETTER OF CREDIT DOES NOT SECURE THE PAYMENT OF ANY PREMIUM ON THE BONDS.

Pursuant to the Indenture, the Trustee is required to draw upon the Letter of Credit in the following circumstances:

(a) to make timely payment of the principal of and interest on the Bonds;

(b) to make timely payment of the redemption price (excluding any premium) of Bonds called for optional redemption; and

(c) to make timely payment of the purchase price of Bonds or Beneficial Ownership Interests required to be purchased, as the result of an optional or mandatory tender, pursuant to the provisions of the Indenture, but only to the extent of a shortfall in remarketing proceeds.

The Letter of Credit will terminate upon the earliest to occur of the following (the "Termination Date"): (i) August 15, 2011, (ii) the Trustee's making of the final drawing available to be made thereunder, or (iii) receipt of notice from the Trustee that no Bonds are Outstanding or that an Alternate Letter of Credit has been accepted by the Trustee.

The Stated Amount of the Letter of Credit and the components thereof available to be drawn to pay principal of Bonds or Beneficial Ownership Interests or to pay the principal portion of the purchase price for any Bonds or Beneficial Ownership Interests will be reduced automatically without notice by amounts drawn under the Letter of Credit for the payment of principal when due on Bonds or to pay the principal portion of the purchase price of any Bonds or Beneficial Ownership Interests. The Stated Amount will be reinstated with respect to a drawing for the principal portion of the purchase price of Bonds or Beneficial Ownership Interests (i) upon the receipt by the Bank of remarketing proceeds with respect to such Bonds or Beneficial Ownership Interests or (ii) tendered and not remarketed by the Remarketing Agent. The Stated Amount and the amounts available to be drawn for the payment of interest will be reduced automatically, without notice, by the amount of any draw on the Letter of Credit for the payment of interest. The Stated Amount and such amounts with respect to interest will be reinstated in an amount sufficient to provide total interest coverage equal to 45 days' interest at the maximum interest rate of 10% per annum on the then outstanding principal amount of the Bonds upon receipt by the Bank of reimbursement for the amount drawn under the Letter of Credit, provided that no Event of Default has occurred and is continuing under the Reimbursement Agreement.

#### **Alternate Letter of Credit**

The Borrower at its option may cause to be delivered to the Trustee an Alternate Letter of Credit to replace the Letter of Credit (the "Alternate Letter of Credit"). Any such Alternate

Letter of Credit must be issued by a financial institution, must require such financial institution to pay when due, to and upon request of the Trustee, the same amounts as are payable under the initial Letter of Credit and must have an effective date which shall be (i), if the Bonds are bearing interest at the One Month Interest Rate, Three Month Interest Rate, Six Month Interest Rate, One Year Interest Rate, Three Year Interest Rate or Five Year Interest Rate (a) any Business Day selected by the Borrower, or (b) the Fixed Interest Rate Commencement Date if the Bonds are to bear interest at the Fixed Interest Rate, or (ii) if the Bonds bear interest at the Weekly Interest Rate or the Fixed Interest Rate, any date selected by the Borrower; provided, however, that such date allows the Trustee to comply with the notice requirements of the Indenture. The expiration date of the Alternate Letter of Credit shall not be earlier than the later of (i) the Termination Date of the Letter of Credit it is replacing and (ii) the date which is fifteen (15) days after the end of the Interest Rate Period applicable to the Bonds or if the Bonds are to bear interest at the Fixed Interest Rate, fifteen (15) days after the First Optional Redemption Date.

Prior to the replacement of the Letter of Credit with an Alternate Letter of Credit, the following conditions shall have been met: (i) the Trustee shall have received the following not less than forty-five (45) days prior to the Replacement Date: (A) an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms, (B) an opinion of Bond Counsel that such replacement will not cause interest on the Bonds to become includable in gross income for federal income tax purposes and (C) the Alternate Letter of Credit; and (ii) prior to the Replacement Date, the Trustee shall have provided notice to the Holders, and, if the Bonds are then rated by a Rating Service, to the Rating Service, of the replacement of the Letter of Credit with an Alternate Letter of Credit. Such notice to the Bondholders shall contain the name of the financial institution issuing such Alternate Letter of Credit, shall state that the requirements of the Indenture and the Bonds relating to Alternate Letters of Credit have been met, shall state the rating, if any, on the Bonds upon the provision of the Alternate Letter of Credit, and shall state that all Bonds shall be subject to mandatory tender.

Each of the terms “Rating Service” and “Rating Agency” as used herein means either Moody’s Investors Service, Inc., and its successors and assigns, or Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

## **THE REIMBURSEMENT AGREEMENT**

The following summarizes certain provisions of the Reimbursement Agreement between the Borrower and the Bank pursuant to which the Letter of Credit is issued. Reference is hereby made to the Reimbursement Agreement for the detailed provisions thereof.

### **Issuance of Letter of Credit and Reimbursement**

Under the Reimbursement Agreement, the Bank will agree to cause the Bank to issue its Letter of Credit to the Trustee concurrently with the issuance and delivery of the Bonds. The issuance of the Letter of Credit is subject to the satisfaction of certain conditions set forth in the Reimbursement Agreement, including the receipt by the Bank of various certifications or

documents from the Borrower, the Issuer and the Trustee, among other parties, and the delivery of certain legal opinions.

Under the Reimbursement Agreement, the Borrower will agree to pay to the Bank amounts that are drawn under the Letter of Credit, together with interest, if any, on such amounts at the rate or rates specified in the Reimbursement Agreement.

### **Fees and Expense**

Under the Reimbursement Agreement, the Borrower will agree to pay to the Bank for the issuance of the Letter of Credit certain fees, and to pay all reasonable charges and expenses of the Bank incurred relative to the issuance, transfer, drawing upon or other actions with respect to the Letter of Credit or under the Reimbursement Agreement.

### **Certain Covenants of the Borrower**

The Borrower covenants in the Reimbursement Agreement, among other things, to pay applicable taxes; to maintain its existence and its status as a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code; to maintain certain insurance; to keep proper books of record and account; to furnish financial and other reports and information; and to comply with certain financial and other covenants. NO ASSURANCE CAN BE GIVEN AS TO THE ABILITY OF THE BORROWER TO COMPLY WITH SUCH COVENANTS. FAILURE TO SO COMPLY COULD, AT THE OPTION OF THE BANK, RESULT IN ACCELERATION OF THE MATURITY OF THE BONDS.

### **Events of Default and Remedies**

The Reimbursement Agreement specifies numerous Events of Default, including failure by Borrower to timely pay amounts payable to the Bank thereunder or to comply with other covenants or conditions of the Reimbursement Agreement, including any breach of representations or warranties, or the occurrence of certain acts of insolvency or bankruptcy, or the occurrence of a default under any of certain other agreements relating to the issuance of the Bonds.

The Borrower's obligations under the Reimbursement Agreement will be secured by the Bank Security Documents (see "INTRODUCTORY STATEMENT"). The Bank Security Documents will be for the sole benefit and security of the Bank and will not be for the benefit or security of the Trustee or the Holders. The occurrence of a default under any of the Bank Security Documents may result in a default under the Reimbursement Agreement.

If an Event of Default under the Reimbursement Agreement has occurred and is subsisting, the Bank may direct the Trustee to accelerate the Bonds under the Indenture, draw on the Letter of Credit and take any other remedial action available to it under the Indenture, the Loan Agreement or the Notes.

## **Amendment**

The Reimbursement Agreement may be amended by the Borrower and the Bank without the consent of the Issuer or the Trustee.

## **THE LOAN AGREEMENT**

The following summarizes certain provisions of the Loan Agreement between the Issuer and the Borrower. Reference is hereby made to the Loan Agreement for the detailed provisions thereof.

### **Issuance of the Bonds and Payments by the Borrower**

Under the Loan Agreement, the Issuer agrees to issue the Bonds and loan the proceeds thereof to the Borrower to finance or refinance the Project. Such proceeds will be deposited in the Project Fund and, together with other moneys provided by the Borrower, used to pay the issuance costs of the Bonds and to finance or refinance the costs of the Project. (See “THE BORROWER, THE PROJECT AND USE OF BOND PROCEEDS” herein.)

The Borrower agrees to make payments corresponding, as to amount, to debt service payments on the Bonds and to make such payments at the times required by the Loan Agreement and the Note delivered to the Trustee in connection with issuance of the Bonds. The Borrower’s obligation to make such payments will be absolute and unconditional.

### **Disbursements from the Project Fund**

Amounts on deposit in the Project Fund will be applied only to pay the issuance costs relating to the Bonds and to finance or refinance the costs of the Project.

### **Optional and Mandatory Prepayment under the Loan Agreement**

The Borrower is given options in the Loan Agreement to prepay the amounts payable thereunder. Such prepayment options correspond to the optional redemption provisions applicable to the Bonds (see “THE BONDS - Optional Redemption” and “THE BONDS - Extraordinary Optional Redemption herein).

The Borrower is obligated to prepay the Note in full upon the occurrence of a Determination of Taxability. The Borrower is also obligated to prepay the Note in part (in denominations of \$5,000) in an amount corresponding to the amount remaining in the Project Fund on July 1, 2009. Such prepayment obligations correspond to the mandatory redemption provisions applicable to the Bonds in such cases (see “THE BONDS” - Redemption Provisions - Mandatory Redemption Upon a Determination of Taxability” and “THE BONDS - Redemption Provisions - Special Mandatory Redemption” herein).

## **Tax-Exempt Status of Bonds**

The Borrower makes various representations, warranties and covenants designed to ensure that interest on the Bonds will be and remain excluded from the gross income of the Holders for federal income tax purposes.

## **Events of Default**

The Loan Agreement provides that each of the following shall be an “Event of Default”:

- (a) The Borrower shall fail to pay when due any Loan Payment;
- (b) Any representation or warranty by the Borrower contained in the Loan Agreement or in any certificate or instrument delivered by the Borrower pursuant to the Loan Agreement or in connection with the issuance of the Bonds or any Additional Bonds is false or misleading in any material respect;
- (c) The Borrower shall fail to observe and perform any agreement, term or condition contained in the Loan Agreement, and the continuation of such failure for a period of 30 days after notice thereof shall have been given to the Borrower by the Issuer, the Trustee or the Bank, or for such longer period as the Issuer, the Trustee and the Bank may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion within 180 days after the expiration of the initial thirty-day cure period; and provided further that no such failure shall constitute an Event of Default solely because it results in a Determination of Taxability;
- (d) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect; (iii) commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property; or
- (e) There shall occur an “Event of Default” as defined in the Indenture.

Notwithstanding the foregoing, if, by reason of Force Majeure (defined in the Loan Agreement to include various events, causes and circumstances beyond the control of the Borrower), the Borrower is unable to perform or observe any agreement, term or condition which would give rise to an Event of Default under paragraph (c) above, the Borrower shall not be deemed in default during the continuance of such inability, provided that such inability is other than the payment of money. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to



remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within the Borrower's discretion.

The provisions of paragraph (d) above are subject to the condition that the declaration of an Event of Default due to any of the facts or circumstances specified therein, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of the United States Bankruptcy Code affecting or precluding such declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

## **Remedies**

If any Event of Default occurs and continues, and if and only if the payment of the Bonds is accelerated pursuant to the Indenture, the Trustee shall declare all payments payable by the Borrower under the Loan Agreement and the Note to be immediately due and payable. The Trustee may also exercise any remedies provided in the Indenture or pursue any remedies at law or in equity to collect all amounts due and thereafter to become due under the Loan Agreement or the Note, or to enforce the performance and observance of any other obligation or agreement of the Borrower under the Loan Agreement.

## **Amendments, Changes and Modifications of the Loan Agreement, the Note or the Letter of Credit**

The Loan Agreement, the Note or the Letter of Credit may only be amended as permitted by the Indenture. As provided in the Indenture, without the consent of or notice to the Holders of Bonds, but with the written consent of the Bank, the Loan Agreement, the Note or the Letter of Credit may be amended, changed or modified as may be required (i) by the provisions of the Loan Agreement, the Note, the Letter of Credit or the Indenture, (ii) in connection with the issuance of Additional Bonds under the Indenture, (iii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Note, the Letter of Credit or the Indenture, (iv) in connection with an amendment or to effect any purposes for which there could be an amendment of the Indenture without Holder consent, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of any Bonds then outstanding; provided that if the Bonds of any series are then rated by a Rating Service, no amendment, change or modification of the Letter of Credit shall be consented to by the Issuer or the Trustee unless such Rating Service shall have confirmed in writing that such rating will not be reduced or withdrawn if such amendment, change or modification is made. Except for such amendments, changes or modifications, neither the Issuer nor the Trustee will consent to (i) any amendment, change or modification of the Loan Agreement, the Note, or the Letter of Credit which would change the amounts or times of payments to be made by the Borrower under the Loan Agreement or the Note or drawings to be paid under the Letter of Credit without the giving of notice as provided in the Indenture and the written approval or consent thereto of the Bank and the Holders of all Bonds then outstanding or (ii) any other amendment, change or modification of the Loan Agreement, the Note or the Letter of Credit, without the giving of notice as provided in the Indenture and the written approval or consent thereto of the Bank and of the Holders of not less than a majority in aggregate principal amount of all Bonds then outstanding.

## **THE INDENTURE**

The following, in addition to the information provided under “THE BONDS,” summarizes certain provisions of the Indenture between the Issuer and the Trustee. Reference is made to the Indenture for the detailed provisions thereof.

### **Assignment and Security**

In the Indenture, the Issuer will assign to the Trustee its right, title and interest in and to the Loan Agreement (excluding the rights of the Issuer with respect to certain fees, expenses, reimbursement and indemnity provisions), and in the Revenues and in the Note.

### **Application of Project Fund**

All moneys received upon the sale of the Bonds will be deposited in the Project Fund created by the Indenture and disbursed from the Project Fund in accordance with the provisions of the Loan Agreement to pay a portion of the costs of issuance of the Bonds and to assist in the financing and refinancing of the Project (See “THE LOAN AGREEMENT - Disbursements From The Project Fund” herein.)

### **Revenues and Bond Fund**

Any amounts which are to be applied to the payment of Bond Service Charges on the Bonds, including all Revenues and all moneys received upon drawings for such purpose made under the Letter of Credit, will be deposited in the Bond Fund created by the Indenture and maintained with the Trustee. Moneys in the Bond Fund are to be used for the payment of Bond Service Charges on the Bonds in the following order:

1. Amounts drawn by the Trustee under the Letter of Credit (provided that no amount drawn on the Letter of Credit may be used to pay any premium on the Bonds);
2. Any Eligible Funds on deposit in the Bond Fund; and
3. Any other amounts available in the Bond Fund.

“Eligible Funds” means amounts on deposit in the Bond Fund (other than funds derived from a draw on the Letter of Credit) for a period of 366 days during which there shall not have occurred the filing of a voluntary or involuntary petition in bankruptcy under the United States Bankruptcy Code, or the commencement of a proceeding under any other applicable laws concerning insolvency, reorganization or bankruptcy, by or against the Borrower or the Issuer.

Amounts remaining in the Bond Fund after payment or provision for payment of all Bond Service Charges are to be paid to the Bank or, if no amounts are then due under the Reimbursement Agreement, to the Borrower. The Bank or the Borrower, respectively, shall be responsible for compliance with any law or regulation applicable to any such amount paid to the Bank or the Borrower.

## **Remarketing Proceeds Account**

The Indenture creates the Remarketing Proceeds Account in the Bond Fund, to be held by the Trustee and administered in accordance with the terms of the Indenture for the deposit of amounts derived from the remarketing of Bonds or from the payment of the purchase price of Bonds by the Bank under the Letter of Credit. While the Bonds are outstanding, moneys in the Remarketing Proceeds Account will be used solely for the payment of the purchase price of Bonds upon their optional or mandatory tender for purchase, and are not subject to the lien of the Indenture.

## **Investment of Funds**

Moneys held in the above described Funds are to be invested by the Trustee at the written direction of the Borrower, in Eligible Investments.

“Eligible Investments” means:

(i) Government Obligations, which are defined to mean (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank), and (c) securities which represent an interest in the obligations described in (a) and (b) above;

(ii) Federal Home Loan Mortgage Corporation (FHLMC) and Farm Credit Banks (Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) participation certificates and senior debt obligations which bear interest at a fixed rate and are fully amortizing;

(iii) Federal National Mortgage Association's (FNMA) mortgage backed securities and senior debt obligations which bear interest at a fixed rate and are fully amortizing;

(iv) Student Loan Marketing Association (Sallie Mae) letter of credit backed issues and senior debt obligations;

(v) Federal funds, certificates of deposit, time deposits and bankers' acceptances (having original maturities of not more than 365 days) of any bank the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank subsidiary in a bank holding company, debt obligations of the bank holding company) have been rated, at the time of purchase, “AA” or “A-1” or its equivalent by either Rating Service;

(vi) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “A-1” or its equivalent by either Rating Service;

(vii) obligations rated, at the time of purchase, “AA” or “A-1” or its equivalent by either Rating Service, or unrated general obligations of any person which has outstanding other unsecured, uninsured and unguaranteed obligations which are so rated by either Rating Service at the time of purchase;

(viii) repurchase agreements with any institution the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank subsidiary in a bank holding company, debt obligations of the bank holding company) are rated, at the time of purchase, “AA” or its equivalent by either Rating Service;

(ix) tax-exempt obligations of any state of the United States of America or any political subdivision or other instrumentality of any such state and such obligations are rated, at the time of purchase, in either of the two highest rating categories (i.e., “AA” or higher) of either Rating Service and are not “specified private activity bonds” as defined in Section 57(a)(5)(C) of the Code;

(x) tax-exempt money market funds which are “qualified regulated investment companies” within the meaning of IRS Notice 87-22, and which meet the other requirements of IRS Notice 87-22 and any subsequent regulations necessary to exempt investments in such funds from the definition of “investment property” under Section 148 of the Code whose assets are solely invested in obligations rated, at the time of purchase, in either of the two highest rating categories by either Rating Service;

(xi) money market funds the assets of which are obligations of or guaranteed by the United States of America, or repurchase agreements secured by such obligations, and which funds are rated, at the time of purchase, “Am” or AM-G” or higher by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., including those for which the Trustee or the Bank or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;

(xii) investment agreements, including guaranteed investment contracts, with commercial banks, insurance companies, financial institutions or other entities rated at least “AA” by Moody’s or “AA” by S&P at the time of investment, whether or not collateralized by Government Obligations; and

(xiii) other obligations approved in writing by the Bank.

Provided, however, that any proceeds resulting from a draw under the Letter of Credit shall be deposited in a separate account in the Bond Fund, shall be held in cash and not be invested pending application pursuant to the terms of the Indenture. In addition, moneys in the Remarketing Proceeds Account shall be held in cash and not invested pending application pursuant to the terms of the Indenture.

Any investments may be purchased from or sold to the Trustee, the Bank, the Remarketing Agent, or any bank, trust company or savings and loan association affiliated with either of them.

The Trustee shall hold and control all investments of moneys in the Project Fund and the Bond Fund and interest accruing thereon and any profit realized from such investments will be credited, and any loss will be charged, to the particular fund from which the investment was made.

### **Additional Bonds**

At the request of the Borrower, and with the prior written consent of the Bank, the Issuer may issue additional bonds (the “Additional Bonds”) for any purpose permitted under the Act. Any Additional Bonds shall be on a parity with the Bonds (except with respect to any moneys drawn by the Trustee on the Letter of Credit) and any Additional Bonds theretofore or thereafter issued and outstanding as to the assignment to the Trustee of the Issuer’s right, title and interest in the Revenues, the Loan Agreement and the Note and the Borrower’s right, title and interest in any Revenues comprised of undisbursed Bond proceeds on deposit in the Project Fund to provide for payment of Bond Service Charges on the Bonds; provided, however, the payment of principal of and interest on any series of Additional Bonds will not be secured by the Letter of Credit and may or may not be secured and protected from sources or by property or instruments applicable to the Bonds and any one or more series of Additional Bonds. Any series of Additional Bonds issued under the Indenture shall bear a series designation such as to distinguish such series of Additional Bonds from the Bonds, and any other series of Additional Bonds issued thereunder.

### **Events of Default and Remedies**

The Indenture provides that each of the following shall be an “Event of Default”:

(a) Failure to pay when due any interest on any Bond or Additional Bond.

(b) Failure to pay when due principal of or premium, if any, on any Bond or Additional Bond whether at the stated maturity thereof, by redemption, pursuant to any mandatory sinking fund requirements, by acceleration or otherwise.

(c) Failure to pay on a Bond Purchase Date or Mandatory Bond Purchase Date amounts due to the Holder of any Bonds or the Beneficial Owners of Beneficial Ownership Interests tendered or deemed tendered to the Trustee pursuant to the Indenture. (See “THE BONDS - Purchase of Bonds or Beneficial Ownership Interests on Demand of Holders or Beneficial Owners” and “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Conversion Between Modes”, “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Delivery of an Alternate Letter of Credit” and “THE BONDS - Mandatory Tender for Purchase of Bonds or Beneficial Ownership Interests Upon Expiration of Letter of Credit”).

(d) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part contained in the Indenture or the Bonds or Additional Bonds,

which failure shall have continued for a period of thirty (30) days after written notice, by registered or certified mail, to the Issuer, the Bank and the Borrower specifying the failure and requiring it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Bank or the Holders of not less than twenty-five percent (25%) in the aggregate principal amount of Bonds and any Additional Bonds then outstanding.

(e) The occurrence and continuation of an Event of Default under the Loan Agreement.

(f) Receipt by the Trustee of a written notice from the Bank which states that an Event of Default under the Reimbursement Agreement has occurred and is continuing and directing the Trustee to accelerate the Bonds (see “THE REIMBURSEMENT AGREEMENT - Events of Default and Remedies”).

(g) Failure of the Bank to honor any drawing in accordance with the terms of the Letter of Credit.

(h) Certain events of insolvency relating to the Bank.

(i) Receipt by the Trustee of written notice from the Bank by the fifth day following the honoring of an interest drawing on the Letter of Credit (including the interest portion of a drawing to pay the purchase price of tendered Bonds or Beneficial Ownership Interests) that the amount available to be drawn by the Trustee under the Letter of Credit has not been reinstated to an amount not less than 100% of the outstanding principal, plus 45 days’ interest on the Bonds computed at the Maximum Rate.

Upon the occurrence of an Event of Default under items (a), (b), (c), (f), (g) or (i), described above, the Trustee shall declare the principal of and accrued interest on all outstanding Bonds and any Additional Bonds to be immediately due and payable. Upon the occurrence of any other Event of Default (except an Event of Default specified in (h) described above), the Trustee shall, upon the written direction of the Bank, declare the principal of and accrued interest on all outstanding Bonds and any Additional Bonds to be immediately due and payable. Upon the occurrence of an Event of Default under item (h) described above, and if there is not then existing an Event of Default described in (a), (b), (c), (f), (g) or (i), described above, the Trustee, without the consent of the Bank, may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds and any Additional Bonds outstanding shall, upon being indemnified to its satisfaction, declare the principal of and accrued interest on all outstanding Bonds and any Additional Bonds to be immediately due and payable. If such a declaration is made, the Trustee is required to draw upon the Letter of Credit to the extent permitted by the terms thereof and to give notice to Holders of such acceleration. Upon any declaration of acceleration under the Indenture, interest shall cease to accrue on the Bonds.

In addition, upon the happening and continuance of an Event of Default, the Trustee may pursue any available remedy to remedy any Event of Default or to enforce the observance and performance of any other covenant, agreement or obligation of the Indenture, the Loan Agreement, the Note, or any other instrument providing security for the Bonds and any

Additional Bonds; provided, however, that the Trustee shall not pursue any such remedy with respect to the Bonds without the prior written consent of the Bank so long as no Event of Default described in (g) or (h) above has occurred and is continuing.

The Trustee will also be empowered to enforce each and every right granted to it under the Loan Agreement as assigned to it and the Note.

### **Right of Holders to Direct Proceedings**

The Holders of at least a majority in aggregate principal amount of Bonds and Additional Bonds then outstanding will have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided, that such direction shall not be otherwise than in accordance with the provisions of law and the Indenture and that the Trustee shall be indemnified to its satisfaction; provided, however, that so long as no Event of Default described in (g) or (h) above has occurred and is continuing, the Bank shall have the exclusive right to give such directions to the Trustee and the Trustee shall not be required to comply with any direction from the Holders aforesaid.

### **Waivers of Events of Default**

The Trustee, but only with the express written consent of the Bank (other than in the case of an Event of Default described in items (a), (b), (c), (g), (h) or (i) above), may waive an Event of Default and its consequences and may rescind and annul any declaration of maturity of principal and interest of the Bonds and any Additional Bonds. The Trustee shall do so upon the written request of the Bank (other than in the case of an Event of Default described in items (a), (b), (c), (g), (h) or (i) above). Notwithstanding the foregoing, prior to waiving any Event of Default described in item (f) or (i) above, the Trustee shall have received written confirmation from the Bank that the Letter of Credit has been reinstated to an amount not less than 100% of the outstanding principal of the Bonds, plus interest on the Bonds at the maximum rate of 10% per annum for a period of 45 days, or for a period of 195 days if the Interest Rate Mode on the Bonds is six months or longer.

There shall not be so waived, however, any Event of Default described in items (a), (b), (c), (g) or (h) above or any declaration of acceleration in connection therewith rescinded or annulled except with the written consent of the Holders of all Bonds and any Additional Bonds then outstanding and of the Bank. In the case of such waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned, or determined adversely to it, the Issuer, the Trustee, the Bank and the Holders shall be restored to their former positions and rights under the Indenture. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Applications of Moneys Received Pursuant to Right of Action Taken**

All moneys received by the Trustee after acceleration of the maturity of the Bonds and derived from any drawing made upon the Letter of Credit will be applied by the Trustee only to

the payment of principal of or interest on the Bonds. Subject to the foregoing, all money received by the Trustee or a receiver from remedial action taken shall be applied to the payment of the costs and expenses of the proceedings resulting in the collection of such money, and the balance of such money shall be deposited in the Bond Fund and applied to the payment of Bond Service Charges on the Bonds and Additional Bonds in the manner and in order of priority set forth in the Indenture.

### **Rights and Remedies of Holders**

No Holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the execution of any trust under the Indenture or any remedy under the Indenture, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified or of which it is deemed to have notice, and (ii) the Holders of not less than 25% in aggregate principal amount of the Bonds and any Additional Bonds then outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the powers provided in the Indenture or to institute such action, suit or proceeding and have offered to the Trustee indemnity as provided for in the Indenture, and (iii) the Trustee thereafter has failed or refused to exercise its powers under the Indenture or to institute such action, suit or proceeding in its own name; provided, however, no Holder may institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or the enforcement of any remedy thereunder unless an Event of Default described in (g), (h) or (i) above has occurred and is continuing.

### **Supplemental Indentures**

The Issuer and the Trustee, with the consent of the Borrower and the Bank, may enter into supplemental indentures, without the consent of or notice to any of the Holders, for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to the Trustee additional rights, remedies, powers or authority for the benefit of the Holders; (c) to assign additional revenues under the Indenture; (d) to accept additional security and instruments of further assurance with respect to the Project; (e) to add to the covenants, agreements and obligations of the Issuer contained in the Indenture other covenants, agreements and obligations thereafter to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture; (f) to evidence any succession to the Issuer; (g) to permit the exchange of Bonds for coupon Bonds in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Bonds (as defined in the Indenture), bearing interest at the same rates and maturing on the same dates, if that exchange would not result in the interest on any of the Bonds outstanding becoming included in the gross income of the Holders for federal income tax purposes; (h) to permit the Trustee to comply with any obligations imposed upon it by law; (i) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Remarketing Agent and any Paying Agents or Authenticating Agents; (j) to achieve compliance of the Indenture with any applicable federal or state securities or tax law; (k) to evidence the appointment of a new Remarketing Agent; (l) to make necessary or advisable amendments or additions in connection with the issuance of Additional Bonds as do not adversely affect the Holders of the outstanding Bonds or Additional Bonds; (m) to permit any other amendment which, in the judgment of the Trustee, is



not to the prejudice of the Trustee or the Holders, including, but not limited to, changes required in order to obtain or maintain a rating on the Bonds or any Additional Bonds from a Rating Service; and, (n) to accept a Supplemental Credit Facility as described in the Indenture.

Exclusive of supplemental indentures for the purposes above summarized, the consent of the Borrower, the Bank, the Issuer, the Trustee and the Holders of not less than a majority in aggregate principal amount of the Bonds and Additional Bonds then outstanding will be required to approve any indenture supplementing the Indenture provided that: (i) without the consent of the Holder of each Bond or Additional Bond affected, no supplemental indenture shall permit an extension of the maturity of the principal of or the interest on any Bond or Additional Bond, or a reduction in principal amount of any Bond or Additional Bond or the rate of interest or redemption premium on any Bond or Additional Bond, or a reduction in the amount or extension of the time of any payment required by any mandatory sinking fund requirements of the Indenture, and (ii) without the consent of the Holders of all Bonds and Additional Bonds then outstanding, no supplemental indenture shall permit a privilege or priority of any Bond or Additional Bond over any other Bond or Additional Bond, or a reduction in the aggregate principal amount of Bonds and Additional Bonds required for consent to such supplemental indenture.

### **Discharge of Lien**

The lien of the Indenture will be discharged if the Issuer shall pay or cause to be paid and discharged all the outstanding Bonds and Additional Bonds or there shall otherwise be paid to the Holders of the outstanding Bonds and Additional Bonds all Bond Service Charges due or to become due thereon, and provisions shall also be made for paying all other amounts payable under the Indenture, the Loan Agreement and the Note and any additional notes of the Borrower issued in connection with the issuance of Additional Bonds.

Any Bond shall be deemed to be paid and discharged for all purposes of the Indenture when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) shall have been made or caused to be made with funds available therefor on deposit in the Bond Fund (as defined in the Indenture) in accordance with the terms thereof. All the outstanding Bonds will be deemed to have been paid and discharged within the meaning of the Indenture if (a) the Trustee and any Paying Agent shall have received and hold in trust and irrevocably committed for such payment, sufficient moneys which are Eligible Funds or the proceeds of drawings under the Letter of Credit, or other moneys accompanied by an opinion of bankruptcy counsel in a form acceptable to the Trustee and the Rating Service, if any, for the Bonds, or (b) the Trustee shall hold in trust, irrevocably committed for such payment, direct noncallable Government Obligations (purchased with Eligible Funds or the proceeds of drawings under the Letter of Credit or other moneys accompanied by an opinion of bankruptcy counsel in a form acceptable to the Trustee and the Rating Service if any, for the Bonds), certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient together with moneys referred to in (a) above, for the payment, at their maturities or redemption dates, of all payments of Bond Service Charges on the Bonds to the date of maturity or redemption, as the

case may be; provided that if any Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice; and further provided that the Bonds shall not be deemed to be paid and discharged within the meaning of this paragraph (i) if the Interest Rate Mode of such Bonds is other than the Fixed Interest Rate, unless such Bonds are to be redeemed on or prior to the next Interest Rate Adjustment Date for such Bonds and notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice, or (ii) if they bear interest at the Weekly Interest Rate. Any moneys so held by the Trustee may be invested by the Trustee, but only in Government Obligations, the maturities or redemption dates of which, at the option of the holder, shall be not later than the date or dates at which said moneys will be required for the aforesaid purposes.

Notwithstanding anything herein to the contrary, if any Bonds are then rated by a Rating Service, no such Bonds shall be deemed to have been paid and discharged by reason of any deposit pursuant to paragraphs (a) and/or (b) above (other than any deposit of moneys, or Government Obligations purchased with moneys, which are the proceeds of drawings under the Letter of Credit) unless each such Rating Service shall have confirmed in writing to the Trustee that its rating will not be withdrawn or lowered as the result of any such deposit.

### **Unclaimed Moneys**

In the event of nonpresentment of Bonds or uncashed checks or drafts for interest, the moneys sufficient to pay such Bonds or checks or drafts shall be held by the Trustee, without liability for interest thereon, in a separate account in the Bond Fund; provided that any moneys which shall be so held by the Trustee and which remain unclaimed by the Holder of the Bond for a period of four (4) years shall be paid to the Bank, unless the Bank confirms to the Trustee that no moneys are due under the Reimbursement Agreement, in which case such moneys will be paid to Borrower. Thereafter, the Holders will be entitled to look only to the Borrower and only to the extent of the moneys so paid.

### **The Trustee**

The Trustee is The Bank of New York Trust Company, N.A., a national banking association with a corporate trust office located in Indianapolis, Indiana.

The Trustee will undertake to perform such duties as are specifically set forth in the Indenture. At the time of an Event of Default and during the continuation thereof, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in its exercise, as a prudent man would exercise under the circumstances.

The Indenture provides that the Trustee shall be entitled to act upon opinions of counsel as specified in the Indenture and shall not be responsible for any loss or damage resulting from reliance thereon in good faith. In addition, the Indenture provides that the Trustee shall be entitled to rely on certain other instruments and it shall not be liable for any action reasonably taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it in the Indenture.

## **Extent of Issuer's Covenants; No Personal Liability**

All agreements of the Issuer contained in the Indenture shall be effective to the extent authorized and permitted by applicable law and they shall not be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected official, officer, agent or employee of the Issuer. No official of the Issuer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

## **TAX TREATMENT**

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer and the Borrower with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana (the "State"). This opinion relates only to the exemption of interest on the Bonds for State income tax purposes.

By the terms of the Indenture, the interest rate mode for the Bonds may be changed and certain actions may be taken under the circumstances. No opinion is expressed as to the effect upon any Bond or upon the excludability of the interest thereon for federal income tax purposes resulting from any such change or action.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Issuer and Borrower will covenant not to take any action within their respective power and control, nor fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indenture, the Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures under which compliance with the requirements of the Code can be met.

The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Indiana Code (IC) 6-5.5 imposes a franchise tax on certain taxpayers (as defined in IC 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from

gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes and exempt from State income tax, the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon a Bondholder's particular tax status and a Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

### **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. A signed copy of Bond Counsel's opinion, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. In rendering its approving legal opinion, Bond Counsel will rely upon certifications and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

Except for the discussion contained under the heading "TAX TREATMENT," Bond Counsel has not verified, is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in this Offering Circular.

Certain legal matters will be passed upon for the Issuer by its Bond Counsel, Ice Miller LLP, Indianapolis, Indiana; for the Borrower by its counsel, Dinsmore & Shohl, LLP; or the Bank by its counsel, Graydon Head & Ritchey LLP; and for the Underwriter by its counsel, Graydon Head & Ritchey LLP.

### **UNDERWRITING OF BONDS**

The Issuer, the Borrower and the Underwriter have entered into a Bond Purchase Agreement with respect to the Bonds pursuant to which the Underwriter has agreed, subject to the terms and conditions of the agreement, to purchase all of the Bonds at an aggregate purchase price of \$4,500,000 for the Series 2006 Bonds and the Borrower has agreed to pay the Underwriter an underwriting fee of \$25,000. The Borrower has also agreed to indemnify the Underwriter against certain liabilities, including liabilities under the federal securities law.

To be eligible to purchase Bonds, a potential investor must demonstrate that it qualifies as an Accredited Investor and the Underwriter or the Remarketing Agent, as applicable, must reasonably believe, immediately prior to making the sale that the prospective investor has

knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of the prospective investment. The above-described standards represent minimum suitability requirements for prospective investors and the satisfaction of such standards by a prospective investor does not necessarily mean that the Bonds are suitable investments for the prospective investor.

### **CONTINUING DISCLOSURE**

Rule 15c2-12, promulgated by the Securities and Exchange Commission, requires continuing disclosure with respect to new offerings of municipal securities of \$1,000,000 or more. The Bonds are exempt from the provisions of Rule 15c2-12 and, therefore, no agreement or contract regarding continuing disclosure pursuant to Rule 15c2-12 will be entered into with respect to the Bonds.

### **NO RATING**

No rating has been applied for or obtained with respect to the Bonds from any credit rating agency. Accordingly, there will be no credit rating assigned to the Bonds at the time of issuance, and it is not anticipated that any such rating will be assigned at any time thereafter.

### **MISCELLANEOUS**

The Trustee and its counsel have not participated in the preparation of this Offering Circular, except for confirming the accuracy of the description of the Trustee contained herein, and hereby disclaims any responsibility for the accuracy or completeness of the information set forth in this Offering Circular.

The Bank has not participated in the preparation of this Offering Circular, except for confirming the accuracy of the description of the Bank contained herein and except for the summary of the Reimbursement Agreement and Letter of Credit, and hereby disclaims any responsibility for the accuracy or completeness of the information set forth in this Offering Circular except with respect to the information contained under the headings “THE LETTER OF CREDIT,” “THE REIMBURSEMENT AGREEMENT” and in the Appendix hereto.

### **CONCLUDING STATEMENT**

The foregoing references to, and summaries or descriptions of, provisions of the Bonds, the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Indenture, the Note, and all references to other documents or materials not stated to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Copies of the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Indenture and the Note may be obtained from the Underwriter or the Trustee as set forth herein under “INTRODUCTORY STATEMENT.”

## **APPENDIX A**

### **FIFTH THIRD BANK**

Fifth Third Bank (the “Letter of Credit Bank”), is a state banking corporation organized under the laws of the State of Ohio. The Letter of Credit Bank is a major regional commercial bank offering a wide range of banking services to individual and business customers.

At March 31, 2006, the Letter of Credit Bank had total assets of approximately \$57.681 billion, total liabilities and minority interests in consolidated subsidiaries of approximately \$53.024 billion, and total shareholders’ equity of approximately \$4.657 billion. The Balance Sheet from the Report of Condition of the Letter of Credit Bank at March 31, 2006 are set forth on the following pages.

All of the Letter of Credit Bank’s capital stock is owned by Fifth Third Bancorp, a publicly-held bank holding company, the common stock of which is registered under the Securities and Exchange Act of 1934. Fifth Third Bancorp files annual and other reports containing audited, consolidated financial and other information, with the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20001-2739, and copies of this information may be obtained from the commission upon payment of copying charges or examined at the Commission’s offices, without charge. The Letter of Credit is an unsecured obligation of the Letter of Credit Bank and not of Fifth Third Bancorp. Fifth Third Bancorp has not guaranteed the Letter of Credit Bank’s obligation under the Letter of Credit or the Reimbursement Agreement and is not and will not become obligated in any manner with respect thereto.

The Letter of Credit Bank will supply without charge to any person to whom this Offering Circular is delivered a copy of the Fifth Third Bancorp Form 10-K for the year ended December 31, 2005, as well as copies of subsequently filed quarterly and other reports on Forms 10-Q or 8-K, as filed with the Securities and Exchange Commission, upon written request to Paul L. Reynolds, Fifth Third Bancorp, 38 Fountain Square Plaza, Cincinnati, Ohio 45263. Telephone requests should be directed to (513) 579-5300.

The Letter of Credit Bank and Fifth Third Bancorp are responsible only for the information contained in this Appendix and did not participate in the preparation of, or in any way verify, the information contained in any other part of this Offering Circular. Accordingly, neither the Letter of Credit Bank or Fifth Third Bancorp assumes any responsibility for nor makes any representation or warranty as to the accuracy or completeness of information contained in any other part of this Offering Circular.

Fifth Third Bank  
 38 FOUNTAIN SQUARE PLAZA  
 CINCINNATI, OH 45263  
 FDIC Certificate Number: 6672  
 Web Address: <http://www.53.com/>

FFIEC 031  
 Consolidated Report of Condition  
 for March 31, 2006

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC--Balance Sheet

Dollar Amounts in Thousands		
<b>ASSETS</b>		
1. Cash and balances due from depository institutions (from Schedule RC-A)		
a. Noninterest-bearing balances and currency and coin <sup>1</sup>	RCFD 0081	<b>2,248,553</b>
b. Interest-bearing balances <sup>2</sup>	RCFD 0071	<b>83,885</b>
2. Securities:		
a. Held-to-maturity securities (from Schedule RC-B, column A)	RCFD 1754	<b>325,998</b>
b. Available-for-sale securities (from Schedule RC-B, column D)	RCFD 1773	<b>13,061,790</b>
3. Federal funds sold and securities purchased under agreements to resell		
a. Federal funds sold in domestic offices	RCON B987	<b>1,056,692</b>
b. Securities purchased under agreements to resell <sup>3</sup>	RCFD B989	<b>0</b>
4. Loans and lease financing receivables (from Schedule RC-C):		
a. Loans and leases held for sale	RCFD 5369	<b>713,832</b>
b. Loans and leases, net of unearned income	RCFD B528	<b>34,789,494</b>
c. LESS: Allowance for loan and lease losses	RCFD 3123	<b>352,656</b>
d. Loans and leases, net of unearned income and allowance (item 4.b minus 4.c)	RCFD B529	<b>34,436,838</b>
5. Trading assets (from Schedule RC-D)	RCFD 3545	<b>342,920</b>
6. Premises and fixed assets (including capitalized leases)	RCFD 2145	<b>712,294</b>
7. Other real estate owned (from Schedule RC-M)	RCFD 2150	<b>48,370</b>
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	RCFD 2130	<b>0</b>
9. <b>Not applicable</b>		
10. Intangible assets:		
a. Goodwill	RCFD 3163	<b>462,028</b>
b. Other intangible assets (from Schedule RC-M)	RCFD 0426	<b>566,446</b>
11. Other assets (from Schedule RC-F)	RCFD 2160	<b>3,621,913</b>
12. Total assets (sum of items 1 through 11)	RCFD 2170	<b>57,681,559</b>

<b>LIABILITIES</b>		
13. Deposits:		
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	RCON 2200	<b>26,522,364</b>
(1) Noninterest-bearing <sup>4</sup>	RCON 6631	<b>6,921,701</b>
(2) Interest-bearing	RCON 6636	<b>19,600,663</b>
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E, part II)	RCFN 2200	<b>4,998,942</b>
(1) Noninterest-bearing	RCFN 6631	<b>0</b>
(2) Interest-bearing	RCFN 6636	<b>4,998,941</b>
14. Federal funds purchased and securities sold under agreements to repurchase		
a. Federal funds purchased in domestic offices <sup>5</sup>	RCON B993	<b>3,656,204</b>
b. Securities sold under agreements to repurchase <sup>6</sup>	RCFD B995	<b>3,194,192</b>
15. Trading liabilities (from Schedule RC-D)	RCFD 3548	<b>218,203</b>
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)	RCFD 3190	<b>10,275,814</b>
17. <b>Not applicable</b>		
18. <b>Not applicable</b>		
19. Subordinated notes and debentures <sup>7</sup>	RCFD 3200	<b>824,139</b>
20. Other liabilities (from Schedule RC-G)	RCFD 2930	<b>3,334,458</b>
21. Total liabilities (sum of items 13 through 20)	RCFD 2948	<b>53,024,316</b>
22. Minority interest in consolidated subsidiaries	RCFD 3000	<b>99</b>
<b>EQUITY CAPITAL</b>		
23. Perpetual preferred stock and related surplus	RCFD 3838	<b>0</b>
24. Common stock	RCFD 3230	<b>4,540</b>
25. Surplus (exclude all surplus related to preferred stock)	RCFD 3839	<b>2,053,171</b>
26. a. Retained earnings	RCFD 3632	<b>3,015,999</b>
b. Accumulated other comprehensive income <sup>8</sup>	RCFD B530	<b>-416,566</b>
27. Other equity capital components <sup>9</sup>	RCFD A130	<b>0</b>
28. Total equity capital (sum of items 23 through 27)	RCFD 3210	<b>4,657,144</b>
29. Total liabilities, minority interest, and equity capital (sum of items 21, 22, and 28)	RCFD 3300	<b>57,681,559</b>



Memorandum		
To be reported with the March Report of Condition.		
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2004		<b>Number</b> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>

RCFD 6724

- |  |   |
|--|---|
| <p>1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank</p> <p>2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)</p> <p>3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm</p> | <p>4 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)</p> <p>5 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)</p> <p>6 = Review of the bank's financial statements by external auditors</p> <p>7 = Compilation of the bank's financial statements by external auditors</p> <p>8 = Other audit procedures (excluding tax preparation work)</p> <p>9 = No external audit work</p> |
|--|---|

<sup>1</sup> Includes cash items in process of collection and unposted debits.

<sup>2</sup> Includes time certificates of deposit not held for trading.

<sup>3</sup> Includes all securities resale agreements in domestic and foreign offices, regardless of maturity.

<sup>4</sup> Includes total demand deposits and noninterest-bearing time and savings deposits.

<sup>5</sup> Report overnight Federal Home Loan Bank advances in Schedule RC, item 16, "Other borrowed money."

<sup>6</sup> Includes all securities repurchase agreements in domestic and foreign offices, regardless of maturity.

<sup>7</sup> Includes limited-life preferred stock and related surplus.

<sup>8</sup> Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

<sup>9</sup> Includes treasury stock and unearned Employee Stock Ownership Plan shares.